



Zee Entertainment Enterprises Limited

CONFERENCE CALL

May 10, 2016

Moderator: Ladies and gentlemen, Good day and welcome to Zee Entertainment Enterprises Limited Q4 FY16 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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.

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 4th 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. Punit Goenka – Managing Director and CEO of Zee Entertainment Enterprise Ltd along with Mr. Mihir Modi – Chief Finance and Strategy Officer.

We will start with a brief statement from Mr. Goenka on the 4th 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 would now request Mr. Goenka to address the audience.

ZEEL TELECONFERENCE May 10, 2016

Punit Goenka:

Thank you, Anuradha. I would like to welcome everybody to this call and appreciate your joining us for the discussions on the results of the 4th 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 revenue during the quarter was Rs. 8.64 billion, recording a growth of 29.1% year-on-year. For the full financial year, the advertising revenue grew 28.9% from Rs. 26.60 billion to Rs. 34.29 billion. The total subscription revenues for the quarter were Rs. 5.94 billion. During the quarter domestic subscription revenues stood at Rs. 4.68 billion while international subscription revenues were Rs. 1.26 billion. For the full financial year, the subscription revenue stood at Rs. 20.58 billion with domestic subscription revenue being Rs. 16.30 billion and international subscription revenue being Rs. 4.28 billion.

On the cost front, programming and operating cost in the quarter were Rs. 6.88 billion. Total cost incurred by the Company in this quarter were Rs. 11.18 billion. For the full financial year, programming and operating cost incurred were Rs. 26.05 billion, total cost incurred by the Company in the financial year were Rs. 43.42 billion.

During the quarter the Company's EBITDA was Rs. 4.14 billion, the EBITDA margin for the quarter was 27.0%. For the full financial year, the Company's operating profit was Rs. 15.09 billion representing a margin of 25.8%. Profit After Tax for the quarter stood at Rs. 2.66 billion, PAT margin for the quarter stood at 17.4%. For the full financial year, the PAT stood at Rs. 10.29 billion, representing a margin of 17.6%.

As of March 31st, 2016, the Company has a gross debt of Rs. 9 million and cash and cash equivalents of Rs. 20.46 billion. In addition to the growth in revenues and profitability, our focus on working capital management remains strong. Our receivables days for the year were 83 days of total revenue while our inventory witnessed a modest growth of 11% despite a higher increase in our total content investment.

I would now like to cover the Business Performance:

During the quarter, Zee TV was ranked 3rd amongst the Hindi General Entertainment Channels. The Channel delivered a weekly average of 10 shows among the top 50 shows during the quarter.

&TV which completed one year of operations in March 2016 continued to increase its popularity with the urban audiences. The Channel recorded 25% growth in urban viewership.

Zee's free-to-air channel Zee Anmol continued to maintain its Number 1 position in the FTA GEC category.

Zee's Hindi Movie Cluster continued to lead the genre with the highest viewership share.

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 nine prime time slots.

Zee Bangla was the Number 2 player in the Bangla GEC genre with a strong share in the urban market. The channel continues its strong lead in the non-fiction genre.

During the quarter Zee Telugu increased market share to become Number 2 channel in the Telugu GEC market and Number 1 in the urban market.

Zee Kannada maintained the Number 2 ranking in urban Kannada GEC genre during the quarter.

The latest addition to Zee's regional channels, Sarthak TV was the market leader in Oriya genre.

The key properties on our Sports Channel bouquet during the quarter included telecast of UEFA Champions League, South Africa vs England cricket series, and South Africa vs Australia cricket series. The sports business revenue in the 4th Quarter of FY2016 were Rs.1,601 million while costs incurred in this quarter were Rs. 1,837 million.

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 investment to capitalize on this opportunity. The highlights of the International Operations during the quarter were as follows:

- In America, Zee TV continued to garner the highest viewership share amongst South Asian networks

ZEEL TELECONFERENCE May 10, 2016

- In UK, &TV featured in top 10 South Asian channels
- In Africa, Zee Magic and Zee World saw 2.5x growth in viewership
- In UAE, Zee TV was Number 1 channel and Zee Cinema was the Number 2 channel amongst South Asian expats in their respective genre

We are happy that our sustained growth momentum through the year continued in the 4th Quarter as well and we have ended the year on a strong note. Our growth has been ahead of the market growth trajectory which is being reflected in the improving viewership share of our network. We continue to see strong growth in both existing and new products.

We would continue to innovate on the content front to serve our audiences. Zee has a strong pedigree in the content creation business and we will continue to maintain and build on it.

With this, I thank you again for joining us and would now like to open the floor for question-and-answer 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 proceed.

Sachin Salgaonkar: I have three questions. First is, it would be great if you could provide some guidance targets for FY17 in terms of ad growth, EBITDA margins, sports losses.

Punit Goenka: We expect growth in advertising for FY2017 to be in the 15%-16% range for the industry. We would definitely be in the same range. Based on our market share growth last fiscal we could potentially beat that growth as well. On sports losses, we are looking at higher losses, even upwards of INR 100 cr because of two key India series that are there in the fiscal 2017. We would not be giving the exact numbers for that right now. And what is the third question Sachin, can you repeat please?

Sachin Salgaonkar: EBITDA margin.

Punit Goenka: For next year?

Sachin Salgaonkar: Yes, for FY17.

ZEEL TELECONFERENCE May 10, 2016

- Punit Goenka:** So I will say that on the back of the growth that we are seeing we are definitely going to endeavor to beat what we have delivered in this current fiscal.
- Sachin Salgaonkar:** So north of 26%, slightly higher than 26%?
- Punit Goenka:** Right.
- Sachin Salgaonkar:** Punit, second question - when I look at domestic subscription revenue growth for Q4, a 12% growth looks a bit low given the renegotiations that we are seeing on the back of Phase-III. So would like to know your views on this, how should we look at it going into next year?
- Punit Goenka:** So Sachin if you are tracking what TDSAT orders that came out about the NSTPL judgment which forced us to file our fresh RIOs as of 1st of May, a lot of deals were deferred in light of that and hence we could not close a lot the deals that we would have wanted to. This is an issue that we are facing as an industry. Therefore for safety sake I think you should look at our mid-teens kind of number for financial year 2017.
- Sachin Salgaonkar:** And my last question, if I recollect it properly, Mihir in the last call had mentioned that you guys had good six months' visibility on FMCG spend, so an update in that direction would be helpful, how do you see FMCG ad spends and any thoughts on ecommerce, telecom and auto sector also would be helpful.
- Mihir Modi:** So the FMCG spends as far as the visibility goes over the next six months seems to be steady and stable. Of course the mix continues to change depending on the respective company's performance and the decisions that they make. But FMCG as a whole continues to be stable. Of course ecommerce is not continuing the multiplying growth that it was at, but it's not kind of fallen off the cliff as well.
- Sachin Salgaonkar:** And thoughts on telecom and autos?
- Mihir Modi:** So, I think in auto we do expect a slight pickup and the telecom guys also, with the 4G launch, are expected to kind of put that engine running faster in the next six months.
- Moderator:** Thank you. Our next question is from the line of Nitin Mohta from Macquarie. Please proceed.

ZEEL TELECONFERENCE May 10, 2016

- Nitin Mohta:** I have two questions, firstly, Punit if I could just understand on &TV, you did mention improved share of urban viewership over there but I think channel is not really doing as well as we had anticipated at the same time last year when trends were quite strong. So any plans in changing programming over there because I think the number two player in the market is obviously coming up with a slew of new programs. And then I had a second question.
- Punit Goenka:** Definitely I think we are going to be adding to the content lineup in addition to replacement that will happen over the period of time. But the focus remains on the urban market for this channel and we will continue to invest behind it as we had planned during the launch phase itself. So while it may not be as per my expectations personally, but from the cluttered environment that we are in, I think the channel has definitely made a mark for itself and will only grow upwards from here.
- Nitin Mohta:** And the second one is towards a clarification on the advertising outlook for FY17. So 15%-16% outlook that you think, is it for Zee or that is the outlook for the market and we would be doing better than 15%-16% that the market would grow at?
- Punit Goenka:** That is what the market indication is, of course we will do what we will do based on the market share gains or drops that we have, but if all remains equal we will definitely be at this level if not better.
- Moderator:** Thank you. Our next question is from the line of Vikash Mantri from ICICI Securities. Please proceed.
- Vikash Mantri:** Just on the subscription side now, I like the numbers for this quarter but I am disappointed with the mid-teen guidance. Punit can you help us understand what stage are we in terms of digitization and your overall feedback on how do you think this process has taken place and what needs to be set right? Also, when you are giving us the subscription targets or guidelines, are you taking in the near term disruption that can happen because of the TRAI paper which is about more transparency and lack of discrimination. Has that been also accounted for?
- Punit Goenka:** Yes Vikas, you are absolutely right, I think you have answered the question yourself. Keeping in mind what has happened in the NSTPL judgment by TDSAT and the TRAI tariff order that is expected by June 30th or July 31st, I cannot remember the date, July 31st I guess, based on that you will understand that not many deals will get concluded.

ZEEL TELECONFERENCE May 10, 2016

And even the tariff order will have a timeline under which it has to be executed, it's not going to be effective the next day. Therefore, keeping all this in mind we are giving this guidance of mid-teens.

Vikash Mantri: And when you are giving this guidance you are hoping for a flexible RIO model or if things go towards distribution network model, things can get worse?

Punit Goenka: It's anybody's call because I have certain expectations that we have outlined to the regulator but too early to say what will come out and therefore we are being kind of realist in our guidance than being optimistic or pessimistic.

Vikash Mantri: On the advertising front if I may, or rather on the overall growth front, what do we need to do further as a company? I think this year we are better in terms of sports but what is going to drive the growth for the Company? If you can outline next 2-3 years investments; we did hear noise in the street about you interested in the radio business, so if you could try to help us with what would be a two year outlook in terms of new growth initiatives.

Punit Goenka: So I cannot comment on the noise you've heard on the street, but definitely our focus areas for investment is our existing portfolio itself where we will be investing in content. Our international business is going to be a key driver for growth in the next few years for us, as we have shared in several of our calls, the initiatives we are taking on the non-South Asian Diaspora in the international market. Digital will be the third area of focus for us which we will be growing and that is again a global strategy for both Ditto and OZEE. And lastly, our movies business where we want to be more aggressive going forward not just in Marathi regional but even Hindi and other regional languages which we want to enter over the next couple of years. This is going to drive the growth for this Company in the mid-term that you talked about.

Moderator: Thank you. Our next question is from the line of Urvil Bhatt from IIFL. Please proceed.

Bijal Shah: Hi, This is Bijal from IIFL. Congratulations on yet another quarter of good numbers. My first question is, what was the cash flow generation during the year, if you can give us some number on that that will be useful.

Mihir Modi: So PAT has been about Rs. 1,000 crores out of which there is preference and equity dividend payout. Besides that, our working capital while in terms of receivable number of days it's nice and flat, the inventory has also not grown too much. But

ZEEL TELECONFERENCE May 10, 2016

given that the business has grown at the pace that it has, it has taken up north of Rs. 400 crores off as working capital. And then of course there are a couple of other elements which is our normal CAPEX which remains at the consistent level as over the last few years. We acquired Sarthak which is another three-digit cash outflow and a little bit on infrastructure, namely studio.

Urvil Bhatt: So if you can give us a number it will be great for FY16 as a whole what was the cash generation?

Mihir Modi: So our cash and cash equivalents between March 2015 and March 2016 have been flat.

Bijal Shah: Okay, that will also include some dividend payments and all, I will just calculate and get back to you. Second question is, can you throw some light on exactly what we are thinking as far as our online strategy is concerned. At some point of time we had talked about only paid model, now we have OZEE which is coming up and what are the plans with OZEE and how OZEE would be different from Ditto TV and what led to launch of OZEE when we had Ditto TV. So if you can give us some clarity on online strategy that will be useful.

Punit Goenka: So Ditto still very much remains a paid platform as you rightly said, and the other features that we have just introduced on Ditto is that it has got exclusive content which does not even exist on TV. We launched the first series called 'Strugglers' on Ditto in February and you will see more content coming on Ditto to justify the payment premium of that platform. OZEE always existed because every channel was anyways putting out its content for catch up TV. We just consolidated that under one brand and we have relaunched it consolidating the entire catch up TV traffic and that has resulted in a great, healthy consumption for us which is post TV. Both have distinct strategies, Ditto being pre-TV and this being post-TV. So we are driving both from that perspective for us.

Bijal Shah: So would it be fair to say much more investment will continue to go in favor of Ditto TV over OZEE going forward?

Punit Goenka: No, it will not be fair to say that. We will invest in both platforms based on their potential and return on investment. They are two independent platforms and business.

ZEEL TELECONFERENCE May 10, 2016

- Bijal Shah:** But OZEE will remain primarily post TV, there will not be much of exclusive and digital first content out there?
- Punit Goenka:** Well, it's very difficult to say with surety what will happen in the future. As you know, digital business, we are building it and exploring it and not just us but everybody is doing that. So strategies will change, tactics will change over time but currently OZEE is meant as a catch up service and Ditto is meant as a premium service as we call it, so that is where we are today.
- Moderator:** Thank you. Our next question is from the line of Latika Chopra from JP Morgan. Please proceed.
- Latika Chopra:** My first question - could you share your investments that you did in the movie business in FY16 and if there is any guidance for FY17?
- Mihir Modi:** Let me first talk about FY17. We are looking at between Rs. 100-150 crores of investments in movies in FY17 across regional languages in addition to Marathi plus Hindi. The current year saw a double-digit number, about Rs. 70-80 crores investment in the film space.
- Latika Chopra:** And how should we look at the overseas subscription revenue growth going over the next couple of years? Actually, we saw a substantial increase in Q4, any thoughts on that?
- Mihir Modi:** So in Q4, international subscription had some catch up in a few markets but if we look at the next year or couple of years we expect the subscription business at least in the year ahead to be about mid single-digit on a dollar basis.
- Latika Chopra:** And just lastly, is it possible for you to share some sense on whether there is significant differential between advertising growth in national versus regional channels?
- Mihir Modi:** No, they pretty much are balanced now given that our contribution is also balanced and the growth also is pretty balanced.
- Moderator:** Thank you. Our next question is from the line of Rajiv Sharma from HSBC. Please proceed.

ZEEL TELECONFERENCE May 10, 2016

Rajiv Sharma: Just a couple of questions from my side. What do you understand of the competitive intensity increasing in the Hindi GEC space? Even LifeOK has come out with a lot of new formats, even in the Tier-II we are seeing a lot of competition with Sony taking the Kapil Show, which has increased the competitive intensity. So what does it mean for Zee? You suggested that margins should improve but what is your outlook on the content cost because at one end is competitive intensity and the other thing which I also see is the power shifting towards the production houses be it online or be it 4G, so your thoughts on this and any timelines on the BARC implementation and kind of impact you see.

Punit Goenka: So Rajiv, I think first and foremost on the competitive intensity, what it means for Zee is that we have to work hard. Beyond that we have to be more innovative, we have to find better ways to maintain our audiences or grow our audiences and we are working towards that. As far as cost of programming going up, I have always maintained that viewership is not a function of cost of production. It is a function of good story telling and Zee has always maintained that in the past and we will continue to do that. As you know we have always led the non-fiction genre through home-grown formats and not having to depend on third parties too much for that. But having said that, we will be making investments in &TV and Zee TV that you will see in the months to come. As far as your last part on production houses and the power shifting, you may be talking about one or two production houses who have the capability of launching their own platforms, but beyond that it's still pretty much a fragmented market and given the amount of content that we buy from these people it's going to be very difficult for them to change their business model overnight in my view. But content owners, will they move content away from traditional way of selling to broadcasters, I do not think so. I think in addition they may have aspirations to go on digital platform, which they are more than welcome to do so. Does this cover your point, Rajiv?

Rajiv Sharma: Sort of, what I understand, as you hinted at a couple of production houses, spending 1.5x for their online content. So will this have some kind of near term impact? It remains to be seen whether online will make money or not but will this have some near term impact and can there be higher than expected increase in content cost in your view?

Punit Goenka: No Rajiv, again 1.5 times is relative. Well, between Zee TV and &TV put together we buy over 2,000 hours of content a year, while they are putting up on their platforms

at best couple of 100 hours of content a year. So you are comparing apples with oranges, it's not the same thing. Again, the digital platforms will have limited audience, that is why they are digital, they are narrow casting to individual whereas broadcasting is a large medium. So there is no near term impact that I am envisaging to come from this immediately. I think we are all working on our own digital plans, so that if traditional broadcast were to lose eyeballs in the long-term, they can be captured on our own delivery platforms.

Rajiv Sharma:

And just a follow-up, so in terms of programming hours where are we on ZEE and &TV versus previous quarter? And second is, this movie CAPEX which is you are doubling, is it kind of tactical strategy for market share, like what is the reason it's going 2x for the next year?

Punit Goenka:

Our current ZEE TV number of hours has come down, it's about 26 hours currently because we have taken some hard calls on non-performing slots, but it will go back up to 33 - 34 hours level during the course of the year. On &TV we are currently at about 21 hours of content and that will also grow up depending on how the shows get traction and based on that we will be increasing the number of hours. What is the other part that you said?

Rajeev Sharma:

So the movie CAPEX which Mihir provided, are you acknowledging some kind of pressure on content, the reason why this is going up, its doubling like Rs. 70-80 crores this year to Rs. 150 crores?

Mihir Modi:

So film production, I would not strictly call it CAPEX because it is a rolling amount. We produce films and then monetization happens in a shorter window through which the production cycle takes place and the money is recouped. So the numbers that we are talking about are not CAPEX which is locked up for a long period of time, it keeps rolling, that is point one. Point two is that the doubling of this number broadly is just a function of the scale of our film production business which is increasing and therefore that is the amount that will need to be rolled into that business over the next year. So for example, in Hindi movies we did one big movie in FY16. We have probably more than one lined up in FY17 and our number of regional films will also increase compared to what we have done in FY16.

Moderator:

Thank you. Our next question is from the line of Sanjay Chawla from JM Financial. Please proceed.

ZEEL TELECONFERENCE May 10, 2016

- Sanjay Chawla:** Most of my questions have been answered, I just had one question. If you can share your thoughts on how do you intend to or plan to monetize the rural audience that you have with ZEE Anmol, how big is the opportunity there and what kind of a share that you have currently and how much you can increase it?
- Punit Goenka:** So Sanjay I think it's still quite nascent. If I look at the FTA pie as of last year, which is pretty much just about Doordarshan spend, it is in the range of Rs. 800-1,000 crores. But having said that, with rural ratings coming in and surprising the market in such a positive manner I think this number will grow significantly. Difficult for me to put a number on it because the transactions are just about to happen on the new BARC system data. So, what the potential can be is difficult to say today, but if I look at the current rural market, almost 48% - 49% of our population is sitting in that bucket. Obviously their purchasing power is much lower than the urban market but still it's going to be a number that is going to be big especially for the FMCG sector that depends a lot on that market for their sachet variety of business.
- Sanjay Chawla:** Could your ZEE Anmol revenues grow faster than your overall ad revenues for the next two, three years?
- Punit Goenka:** Potentially yes as a percentage, but the base is small and the market size is also small today, so it's not as if this 800 crores will overnight triple or quadruple, right. So it will take time but yes theoretically it can grow faster.
- Moderator:** Thank you. Our next question is from the line of Rajiv Berlia from Edelweiss. Please proceed.
- Abneesh Roy:** Sir, this is Abneesh here. Sir my first question is on the industry level and how have Zee HD channels done? Now I see HD channels happening even in the regional space, so in terms of subscription and advertising revenue how have your mainline channels done, are they aiding margins big time, how are they in terms of plans and actual performance?
- Punit Goenka:** So HD channels are definitely doing well for the industry and for Zee and they are getting very good traction. Of course in advertising, because base is so small the number is nothing much to talk about but the subscription fees is where the premium makes it quite profitable for us. And we will also be coming out with our regional HD channels. We are just waiting for our licenses to come in and our entire regional

bouquet also goes to HD very soon. So we want to strengthen that part of the business going forward.

Abneesh Roy: And sir, for regional channels, when do you take a call to go HD? Is it based on competition because advertising and subscription both seems to be extra, so in terms of cost how does it work? So is there very high carriage cost for example, so could you elaborate on that part?

Punit Goenka: We do not pay carriage cost for HD channels. All our content is already being produced in high definition, even with regional languages since last one year or maybe longer than that for some cases. The call is taken on the basis of the HD penetration of the set top boxes in the market. So if HD is penetrating the Maharashtra market we will take a call on taking Zee Marathi to HD, similarly for Bangla or any other language. It has nothing to do with competition, we look at what our incremental costs are going to be to run HD vis-à-vis the returns that we can generate over a period of time.

Abneesh Roy: Sir my second question is on the international business, you have given international ads of around Rs. 112 crores, so if you could give us YoY how things are. And you are going into so many markets, so obviously the growth could be high. So could you talk about how things are in most of these markets and also subscription revenues have been quite good, so how do you see sustainability on the subscription growth internationally?

Mihir Modi: The ad revenue we have started sharing it only from Q2 of this year onwards. Since we have not carved it out last year, the specific growth number would not be possible to share. But we are growing at a reasonable pace, essentially in line with our expansion in the non-South Asian category products where we are doing an ad based channels. But the base is very small right now as you know from the Q4 numbers. So therefore it does not move the needle substantially but that is going to be something that we will continue to focus on.

Abneesh Roy: Sir one follow-up, since base is small and you are going to new markets, the growth in this international ads will be much higher than your overall growth ad revenue or it will be lower?

ZEEL TELECONFERENCE May 10, 2016

- Mihir Modi:** It really depends on which new products we launch in this category and super normal growth if any will be driven by the new product launches.
- Abneesh Roy:** Sir one small follow-up on the programming hours, now Star has opened the 5:30 pm slot also and made it Monday to Sunday, so in terms of cost of business and overall viewership, how are things, because earlier you were getting viewership from repeat content and now from industry hygiene perspective everyone seems to be extending programming hours. So for example, does the 5:30pm make sense in terms of fresh programming or because the one of the industry leaders is doing it everyone will have to respond sooner rather than later?
- Punit Goenka:** I cannot comment on Star's strategy but I can tell you for sure that I will first get my core prime time right then I will give a thought about 5 o'clock and 5:30.
- Abneesh Roy:** And Monday to Sunday also?
- Punit Goenka:** Again, that is Star's strategy, and I cannot comment on that. I will stick with my strategy what I think is right for my channel and my audience.
- Abneesh Roy:** But you are not planning any of those in the near term?
- Punit Goenka:** I cannot comment on that. I will stick with my strategy and I cannot expose that until you see it on air.
- Moderator:** Thank you. Our next question is from the line of Rohit Dokania from IDFC Securities. Please proceed.
- Rohit Dokania:** Just three quick questions, one is, if you can talk about the like-to-like ad growth in Q4 and what was it led by?
- Mihir Modi:** So, first the reported ad growth was 29%; the like-to-like growth would not be significantly lower than that.
- Rohit Dokania:** And which sectors were the key ones which would have led to that?
- Mihir Modi:** I think all sectors have been contributing, there is no one to kind of pickup. Earlier there used to be ecommerce which used to be the flag bearer of the growth but now the growth comes from pretty much a balanced industry base.

ZEEL TELECONFERENCE May 10, 2016

- Rohit Dokania:** And also now that &TV is done with for the first year, is it possible to give some indications in terms of how the EBITDA line number is trending for that piece?
- Mihir Modi:** So we stick to what we had mentioned earlier in terms of the total three, four-year investment plan and we are on track to achieve towards that.
- Rohit Dokania:** And lastly just one quick one, if Punit can highlight as to what he believes could pan out over the next two to three years from a medium term perspective because of this non-discriminatory piece which the TRAI, the TDSAT and everybody is trying to implement?
- Punit Goenka:** I think it's definitely something which will be in benefit of the industry as it will streamline both, the rogue platform players as well as broadcasters and content owners that discount heavily. Therefore, I think it's a welcome move for the industry. It may have some short-term negative impact on somebody but eventually at the end of the day it is going to be consumer spend and a fair share between all stake holders in the value chain, only then it will work for everybody. So anybody who is enjoying disproportionate share today will have to let go and therefore should benefit the industry overall.
- Rohit Dokania:** And any particular comment from broadcasters per se?
- Punit Goenka:** Well, given what we have been able to achieve in Phase-I and Phase-II of digitization plus any transparency in pricing mechanism cannot be only in favor of the non-broadcasters, I think they will have to look at a balanced approach to this entire tariff order which I am hopeful will benefit the broadcasters also. Because in current scenario if you will understand both the MSO and the broadcasters are the victims, so that is where it needs to be addressed. I am quite hopeful that it happens.
- Moderator:** Thank you. Our next question is from the line of Manish Adukia from Goldman Sachs. Please proceed.
- Manish Adukia:** I have two questions, firstly on your regional channel side, just wanted to understand from you if you can comment on your programming cost and the trend that you are seeing especially in your regional channels with increased focus by the likes of Star and Viacom launching HD channels etc. Are you seeing an increased competitiveness in the regional channel space and are the content cost of the regional channels growing faster or slower versus for example the Hindi GEC? That's my first question.

And secondly, just a follow-up question on the OTT update that was asked earlier, so given that now there are more than a dozen OTT apps which are there in India, so how does Zee look to differentiate its own OTT apps versus the other players? And now we have the bigwigs like Netflix and HOOQ etc. in the market, so where do you think that these players would take the share of time from the consumer from? Isn't it more likely that the television would lose ad revenue share to these players? Thank you

Punit Goenka:

Firstly, on the regional side, I think cost wise it's pretty much tracking in the same trajectory as the national channels, in fact in most markets that we operate in we are either leaders or very-very strong number two channel except Tamil where we are still investing to gain ground. So I do not see Zee's position getting challenged very easily in the regional market or us having to make disproportionate investments. As I said earlier, even we are looking to launch our HD channels and it's just a matter of licenses that we are awaiting. As soon as the ministry clears our licenses, our channels will be up and running in HD as well. In terms of OTT, at the end of the day the person who has the best content on OTT will be the winner in this market whether it is Zee, whether it is Netflix or anybody else. I am not looking at competition from that perspective because at the end of the day the amount of content that incumbent player like Zee sits on, it's very difficult for a new player to come and aggregate that much content. If you take Netflix's model in the United States, a large part of that is built on the existing broadcasters' content or the studios content rather than them creating their own. They create only a couple of series a year versus what they license from other third party vendors. So I think that from our perspective the OTT play will be the second screen to start with right now, because again OTT in an environment like India where bandwidth costs are so prohibitive it is going to be much more expensive than watching it on your regular television. So we keep thinking about OTT taking away traditional TV viewers as it happens in the west but we forget to factor in the fact that because traditional cable or satellite in those markets are upwards of \$60 a month per subscriber, that is why the subscriber moves to a broadband play. In India if you were to watch half an hour episode on your 3G or 4G connection, if your 4G works for that matter, you will end up paying probably couple of thousand rupees just for the bandwidth cost, forget what you paid me for the episode. So again, we kind of keep confusing this animal OTT or elephant in the room OTT, it is quite different for a country like India unlike the US. So I am not that concerned so early in

ZEEL TELECONFERENCE May 10, 2016

the day, we will see how the entire digital play plays out and we will pretty much mould the organization to take on that opportunity for us as well.

Moderator: Thank you. Our next question is from the line of Amit Kumar from Investec Capital. Please proceed.

Amit Kumar: Just very quickly on this new RIO, I just wanted to understand what is the near term impact of this? I mean you have a set of existing contracts with cable as well as other DTH players, do you have to necessarily shift those contracts to this new RIO or will the existing contracts continue to run? And in terms of the deals which will sort of close from May, some previous deals which you sort of finished from May onwards, will the new deals necessarily have to be done on the new RIO?

Punit Goenka: So the new deals definitely after 1st May have to be done on the new RIO or on the new tariff orders that TRAI may issue as and when it issues, so that is very-very clear. Your first question is a matter of interpretation therefore I do not think I can comment on that, we will see how the courts deal with it and go by what happens then for the existing deals.

Amit Kumar: I am just trying to understand the point that you made that couple of deals sort of got deferred to FY17 because of this TDSAT view order, I am just putting myself into the shoes of a distributor, wouldn't he want to get a steady deal with you and not take the risk of how the RIO or the TDSAT order goes?

Punit Goenka: Amit, next time I am negotiating a deal come with me.

Amit Kumar: Alright, I think this question is probably any which ways relevant to distributors, I will leave that. Just a quick one on the international advertising bit, on quarter-on-quarter basis it has gone up 38%, any sort of cyclicity, anything if you can highlight on this?

Mihir Modi: So international advertising, the slight pickup is because of the new markets, the new channels have been launched. We said we have launched channels in Africa, we have an English and a French channel there, so I think predominantly the new market launches have been driving that.

Amit Kumar: Sorry, Mihir on a quarter-on-quarter basis a 38% jump is quite high, and I think there have been a couple channels getting launched in this particular quarter, there is

ZEEL TELECONFERENCE May 10, 2016

nothing else to explain for such a sharp movement? I am basically saying that should we sort of take this as a new base line number going forward?

Mihir Modi: It also has sports ad revenues of cricket events from the international market in Pakistan territory for the ICC T20 World Cup

Amit Kumar: You had the rights for that?

Mihir Modi: Yes, for Asia Cup and ICC T20 World Cup

Amit Kumar: Just a very quick couple of questions on the balance sheet side, I think somebody had asked this, the capital expenditure for the year seems to be fairly high, any sort of one-off that you would want to highlight on that?

Mihir Modi: So the Sarthak acquisition, the Oriya channel which we acquired that is one and then there have been investments in production infrastructure in the form of studio development that we are doing.

Amit Kumar: What would that be and what is the sort of recurring CAPEX one should expect going forward?

Mihir Modi: So our recurring CAPEX is below Rs.100 crores that we normally do for upgrade of our transmission facilities etc, the studio facility may have a little more spend in FY17. Of course Sarthak was one time in that sense unless we have any other acquisitions which we do not have visibility on at this stage.

Amit Kumar: And just a final point on my side, on the receivable side the current mix of receivables, whether it is more from the advertising side or more from the subscription side, is it sort of recurring in cable MSO issue that we have sort of faced in the past as well?

Punit Goenka: So, first of all there is no issue on the receivable side. The receivables are normal, in fact they are at similar levels as March 2015. Of course from a mix perspective the number of days outstanding for advertising receivables tend to be a little lower than the subscription receivables, but it is pretty balanced. So no concerns there as far as the numbers for March 2016 are concerned.

Moderator: Thank you. Our next question is from the line of Jay Gandhi from Motilal Oswal Securities. Please proceed.

ZEEL TELECONFERENCE May 10, 2016

- Jay Gandhi:** Most of my questions have been answered, just a couple of them. So how much would &TV be contributing to the growth for the year, ad growth?
- Mihir Modi:** Jay, we do not pull out the channel growth number separately.
- Jay Gandhi:** Ex-&TV would be?
- Mihir Modi:** Ex-&TV would not be significantly lower than the reported numbers.
- Jay Gandhi:** And just one more thing, on the fresh programming hours, how we have been more or less clocking around 21-odd hours of fresh programming on &TV, so do you have a guidance on what this could end in FY17, I mean how much could we close at exit in FY17?
- Punit Goenka:** Jay, one thing is that if everything works as per our expectations which is not something that happens all the time. So while our aspiration is to end the year with 26 but depending on how some of the new slots or the existing slots are faring we will take those calls. It is a very young channel and early days for us to give you a strict number as to what we will end with. Of course what we are planning to end may undergo change as we speak.
- Moderator:** Thank you. Our next question is from the line of Kunal Vora from BNP Paribas. Please proceed.
- Kunal Vora:** Sir two questions, one is, can you share some numbers on Ditto TV, how many customers are currently subscribing and what is the ARPU which we are generating and how is it from India and overseas, where are you seeing more traction? That's one. And second is, there is a comment that there is some Rs. 40 crores receivable from a competing broadcaster which is under litigation, can you explain the nature of this amount and how long this amount has been outstanding? Thanks.
- Mihir Modi:** I will take the second one first, that is an old dispute relating to sports with Doordarshan where as you may be aware that under a certain regulation the cricket feed needs to be shared with the national broadcaster and then there is a revenue share that has been mandated. So this dispute relates to that and it is an old dispute. The latest status on that dispute is that the amount has been deposited with the court and we are very hopeful that we will recover that amount.

ZEEL TELECONFERENCE May 10, 2016

On Ditto TV, the subscriptions have been at over 3 million a month, the ARPU is about Rs. 20 but it varies depending on the fact that our subscribers have anything between a Rs. 5 pack to a much more expensive pack to choose from. Predominantly, the revenues are from India, the international push is expected to happen over the next few months.

Kunal Vora: So is this Rs. 20 a month? Because 3 million subs and Rs. 20 would give me very big numbers. Is the revenue base of Ditto TV so high? I mean 3 million would translate to 3.5 crores into Rs. 20 that is Rs.700 crores kind of a number it might work out to.

Punit Goneka: No, 3 million into Rs. 20 is 60 million.

Kunal Vora: That is per month right.

Mihir Modi: Yes.

Kunal Vora: Ok. Its INR 700 Mn annually

Mihir Modi: Yes. Also, that is gross.

Kunal Vora: Ok. Thank You

Moderator: Thank you. Our next question is from the line of Ashish Upganlawar from Elara Capital. Please proceed.

Ashish Upganlawar: Sir, wanted to understand how do we see the content investments going ahead and if you could give some guidance on how it will increase in FY17 over this year?

Punit Goenka: So I think the increase in content cost will be in line with inflation, we are not expecting any significant growth there apart from delta when we add additional hours of content. So on a per hour basis ex-sports increase should be pretty much an inflationary number.

Ashish Upganlawar: And on the regional side, are we experimenting on seven days of fiction programming because I think in Marathi we are doing this month seven days of fiction, so is that experiment or it's just something which you would...

ZEEL TELECONFERENCE May 10, 2016

- Punit Goenka:** I think that was a tactical change that we had done, it's not something that we want to do in the long term. It is a tactical move for countering some other competitors in terms of content.
- Ashish Uppanlawar:** And sir movies, you are making this investment, so what proportion of your sales and services would movie revenue be now, is it significant enough or its not?
- Punit Goenka:** As of now it's too small, hardly anything, we are not doing much in the Hindi space but over the next few years it will definitely grow.
- Moderator:** Thank you. Ladies and gentlemen, that was our last question. We would like to thank the Management. On behalf of Zee Entertainment Enterprises Limited that concludes today's Conference Call. Thank you all for joining us and you may now disconnect your lines.