



Q2 FY2014 EARNINGS CONFERENCE CALL

October 21 2013, 1430 HRS IST

Moderator

Ladies and gentlemen, good day and welcome to the Zee Entertainment Enterprise Q2 FY14 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 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 Mr. Kanwaljeet Singh. Thank you and over to you, sir.

Kanwaljeet Singh

Ladies and gentlemen thank you for joining us today. We apologize for the delay in starting the call due to a technical glitch. We have organized this conference call to update our investors on the company’s performance in the Second Quarter of Fiscal 2014 and to share with you all the outlook of the management of Zee Entertainment Enterprises Limited. We do hope that you have had the chance to go through the earnings release and the results, both of which have been uploaded on our corporate website www.zeetelevision.com.

To discuss the results and performance, joining me today is Mr. Punit Goenka – Managing Director and CEO of ZEE along with -

Mr. Hitesh Vakil – CEO - Service Excellence

Mr. Atul Das – Chief Corporate Development Officer

Mr. Mihir Modi – Chief Finance & Strategy Officer

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

Zee Entertainment Enterprises Limited

Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai 400 018, India

Tel: +91 22 2483 1234



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.

Punit Goenka

Thank you, Kanwaljeet. I would like to welcome everybody to this call and appreciate your joining us for the discussion on the results of the second quarter of fiscal 2014. 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 5.83 billion, showing a growth of 10.5% yoy. Once again we have outperformed the television industry advertising revenue growth and have delivered 20% plus yoy growth (excluding sports).

The total subscription revenues for the quarter were Rs 4.58 billion, registering an increase of 16.0% over the corresponding quarter last fiscal. During the current quarter, domestic subscription revenues stood at Rs 3.35 billion, while international subscription revenues were Rs 1.23 billion. Domestic Subscription revenues are up 19.3% yoy on reported basis. Subscription revenues from international operations are up 7.9% in rupee terms aided by rupee depreciation.

On the cost front, programming & operating cost in the quarter was Rs 5.04 billion as compared to Rs 4.79 billion in the corresponding period last fiscal, an increase of 5.2% yoy. Employee cost has gone up by 13.6% over the corresponding period last fiscal. Selling & other expenses in the quarter were at Rs 1.88 billion, as compared to Rs 1.70 billion in the corresponding period last fiscal, showing an increase of 10.6% over the corresponding quarter last fiscal. Total costs incurred by the Company in this quarter were Rs 7.91 billion, an increase of 7.5% over the corresponding period last fiscal.

During the quarter, the Company's operating profit (EBITDA) was Rs 3.10 billion. The operating (EBITDA) margin for the quarter was 28.2%. Excluding sports business, the EBITDA margin stood at a healthy 34.9%. Profit After



Tax (PAT) for the quarter stood at Rs 2.36 billion, a growth of 26.0% over the corresponding quarter last fiscal.

We continue to invest in our Sports business with a medium to long term perspective. We do expect losses to continue in the sports business for some more time to come but we are hopeful of seeing a much more improved performance in the years ahead. The Sports losses during the quarter were Rs 191 million.

As of September 30th, 2013, the Company has a gross debt of Rs 191 million and Net Cash of Rs 13.7 Billion.

I would now like to cover the Business Performance.

During the quarter, **Zee TV** averaged 381,019 GTVTs recording a relative share of 17% among the top 6 Hindi GECs. The market share was even better in the Prime Time band, where Zee TV averaged 227,402 GTVTs recording a relative share of 19%. The channel was No.2 in the Weekday Prime Time band at the exit of the quarter. The channel delivered a weekly average of 22 shows among top 100 shows during the quarter led by the top rated shows like *Qubool Hai*, *Jodha Akbar*, *Do Dil Bandhe Ek Dori Se* and *DID Super Moms*. Zee TV launched new shows *Do Dil Bandhe Ek Dori Se*, *Ek Mutthi Asman*, *Khelti Hai Zindagi Aankh Micholi* and *DID Dance Ka Tashan* during the quarter. The key shows and events planned in the forthcoming quarter include *Bh Se Bhadey*, *Dance India Dance 4* and *Zee Rishtey Awards*.

Zee Cinema was No.1 channel in its genre, averaging 223,660 GTVTs during the quarter with a relative share of 35% among the top 3 Hindi movie channels. The key properties of the channel during the quarter were *Shanivaar Ki Raat Sitaron Ke Saath*, *Lage Raho* and *Cinema Hall*. This quarter saw premieres of blockbuster movies like *ABCD*, *Himmatwala* and *Barfi*.

Zee Marathi was the No.1 channel in its genre for the quarter. The channel delivered average weekly GTVTs of 107,146 recording a relative share of 42% amongst top 3 Marathi GECs. The channel delivered a weekly average of 8 shows among top 10 shows including top shows such as *Honar Soon*



Me Hya Gharchi, Tu Tithe Me, Radha Hi Bawari, Home Minister and Ek Peksha Ek.

Zee Bangla delivered an average of 71,787 GTVTs in the quarter ranking a clear second in the Bangla GEC genre recording a relative share of 38%. The channel leads the non-fiction genre with 75% market share. The channel delivered a weekly average of 3 shows among top 10 shows bases on average TVT during the quarter led by the top rated shows included *Rashi, Agnipariksha, Mirakkel Akkel Challenger 7, Sa Re Ga Ma Pa – Li'l Champs 2013 and Dadagiri Unlimited 4.*

Zee Telugu averaged 60,688 GTVTs during the quarter recording a relative channel share of 19%. *Pasupu Kumkuma* and *Muddubidda* were the top fiction shows on the channel during the quarter. *Naa Autograph Sweet Memories, Super Jodi* and *Police Diary-People Against Crime* were the top rated non-fiction shows. During the quarter, Zee Telugu maintained the No. 1 spot in the specified primetime band of 1800 hrs to 2230 hrs during weekdays across all Telugu GECs.

Zee Kannada averaged 31,632 GTVTs during the quarter recording a relative share of 14%, driven by popular shows like *Bharathi, Panduranga Vittala* and *Punarvivaha*. This quarter saw the launch of *Purushottama* and *Nithyotsava*. Zee Tamil averaged 22,993 GTVTs during the quarter driven by several popular shows.

The key properties on our Sports channels bouquet during the quarter included telecast of *India Vs Zimbabwe* series, *West Indies/India/Sri Lanka* tri-series, *US Open, Tour De France* and *IAAF World Championship*. *WWE* continues to be a strong property attracting audiences as well as advertisers. The forthcoming quarter would see the telecast of cricketing events like *India vs. SA* series, *Pakistan vs. SA* series and *New Zealand vs. Sri Lanka* series. The sports business revenues in the second quarter of FY2014 were Rs 1,558 million, while costs incurred in this quarter were Rs 1,749 million.

ZEE's International operations contribute a significant part of the Company's revenues. During the quarter, the Company undertook a number of initiatives to further strengthen its dominance. Ten Cricket was launched on Rogers network across Canada. India.com was launched in the USA and



Canada. Zee Khana Khazana launched for the first time in Africa on the Zuku platform to cater to the East African countries. Zee TV continues to be the No.1 South Asian channel in the Middle East with highest viewership.

In line with our strategy of undertaking value-accretive investments, this quarter, we launched **&pictures**, an interactive Hindi movie channel aimed at targeting the younger mindset. The channel endeavors to build upon the existing film and digital resources to create a continuing conversation with an audience that is interested in staying connected and engaged with the world around them. This quarter also saw the launch of **Zee Anmol**, an FTA Hindi GEC which is the first channel in the Indian television space to be simultaneously launched on mobile and television platforms. Positioned as 'Dil Choo Jaaye', Zee Anmol is a channel that believes in touching people's hearts through real, genuine emotions that will be depicted through some of the best shows that Indian Television has ever seen.

Beginning next quarter, we will see reduction in advertising inventory across the network in accordance with TRAI regulations. We are in the process of negotiations with advertisers and are confident that this will not have any major impact on revenue monetization. Digitisation will lead to fragmentation of audiences. At ZEE, we believe this presents a huge opportunity to create new products for specific segments, which will allow us to monetize this opportunity both from advertising and subscription standpoint. Therefore, we continue to innovate in terms of our content and formats.

With this, I thank you again for joining us and would now like to open the floor for the questions and answers session. Our first question is from Utsav Mehta of Ambit Capital. Please go ahead.

Utsav Mehta

Could you provide some light on what's driving the sequential 6% growth in domestic subscription? By all accounts direct billing has been delayed in Phase-I and II so is this growth being largely driven by DTH and if so when do you expect the cable driven subscription growth to flow through.

Atul Das

This is Atul here and you have rightly pointed out we have seen a sequential growth in our domestic subscription revenues and as you rightly said it's to do with digitization. It's difficult to answer on a particular quarter precisely because as you know there are lumpiness of revenues in our subscription so some of the contracts get delayed some of the contracts get billed on time



and it's very difficult to pinpoint that, but I would say what we have always repeated earlier that yearly trends are the ones which we are very important to look at and there we believe that about 14% to 15% growth is very much possible on the domestic subscription front.

Moderator

Thank you. Our next question is from Rohit Dokania of B&K Securities. Please go ahead.

Rohit Dokania

One of the questions that I really had was or related to this South Africa series. Has the board intimated us regarding a truncated series or anything of that sort or as of now we are going as per the original plan?

Punit Goenka

Rohit, we are still in the midst of negotiation with the board as we speak. It is still early days to say whether it will be truncated or not. In the event it is truncated, obviously, it will result in lower payout of the license fee as well but it is still early days for us to comment on that.

Rohit Dokania

Fair enough sir and just related question to that would be do we still assuming that it's not a truncated series and it's a full series as earlier anticipated, do we believe that Sports losses for the full year FY14 would be more or less in the range of FY13 or slightly higher than that?

Punit Goenka

They will be significantly higher than that given the dollar impact and also the current economic situation that we are facing.

Rohit Dokania

Sure sir, okay thanks for that and just one last question would be, we are also planning to launch any flanking GEC around Zee TV basically would be my question?

Punit Goenka

As I said in my speech we are working on creating more products, difficult for me to comment on the genre and commit to that right now and you will agree that that's kind of competitive information, so we are working on several new products that will be coming from our stable.

Moderator

Thank you. Our next question is from Amit Kumar of Kotak Securities. Please go ahead.



Amit Kumar I just wanted to have a better understanding of this other sales and services line item which seems to have gone up by almost 96% on a Y-o-Y basis. One specific point, is there any element of one-time income in the same?

Atul Das No, Amit there is no element of onetime income but there is breakup of revenues which includes syndication and syndication revenues again are not necessarily uniform throughout the four quarters, so there is no element of onetime revenue but yes, there are revenues which sometimes do accrue in some quarters and they don't accrue in every quarter.

Amit Kumar Sir is that syndication more related to Sports or non-Sports, if you could just give us some color on that?

Atul Das It is Sports related.

Amit Kumar Okay. My second point pertained a little bit with the balance sheet. What we are seeing in this particular first half is the fact that your balance sheet has expanded at a very rapid pace. We have seen especially three items that I would request you to kindly comment upon, fixed assets have gone up by almost 100 crores, inventory has gone up by more than 150 crores and loans and advances versus March have also expanded by about 100 crores. If you could just comment on that because we always look at ZEE as more of a non-linear asset, doesn't require this kind of a balance sheet investment, so what's happening just trying to understand.

Hitesh Vakil That is largely because of the treasury investment that has gone in so that excess cash is invested into various commercial papers and other instruments which is represented as group under loans and advances.

Amit Kumar This would not be counted among your current assets or non-current assets?

Hitesh Vakil It is short term loans and advances.

Amit Kumar Okay the other two fixed assets and inventory.

Hitesh Vakil So, fixed assets are by and large because of the Forex conversion rate which is 13% higher than earlier one and as a result there is corresponding foreign transitional reserve which results into fixed assets increase. And



increase in inventory is because of increase in the film rights that we have procured. So that answers the increase in inventory.

Amit Kumar

Sure, Sir, I also came to know that there is some Forex gain in the P&L in this particular quarter what would that pertain to, that's also something related to the balance sheet?

Hitesh Vakil

Rs. 12 crores. That is part of the interest and other income.

Amit Kumar

Yes, but what is this on account of, what are the Forex gains coming into the P&L.

Hitesh Vakil

These are the realized gain on transactions booked at one rate and they realized at different rate and result and gain booked under profit and loss account as other income.

Moderator

Thank you. Our next question is from Abneesh Roy of Edelweiss please go ahead.

Abneesh Roy

My first question is on the ad growth. We seem to be growing double of the industry growth rate so I am pointing three reasons if you could tell us which is the most important one. One is from a four player Hindi GEC market now we are down to three, second is in the regional GECs we have made handsome market share gain and third is from the TRAI related progression. Have we got higher ad rate hikes in Q2 itself, so if you could point out which is the most important reason.

Punit Goenka

Abneesh, second point is the most critical one which is the regional market, which has grown at a significant higher clip than any of the other reasons that you pointed out. I think on the TRAI regulation on ad cap there is still some time before we will start seeing growth in ad rates on that account because the matter is still subjudice., Only once it is cleared from the court we will know or the advertisers will start reacting towards the price hike that we need.

Abneesh Roy

But sir during the quarter we were not progressing towards decreasing inventory gradually and therefore rate hikes also gradually that was not happening?



Punit Goenka You are asking about strategic how we are handling it or, we have been handling it over the period of time. Of course as I said that any impact of this will be short term, it will not be mid to long term.

Abneesh Roy And sir on the four player versus three player does that really give us more market share in because normally the pie will be broken between the top three or four, so now it's three basically versus four last year.

Punit Goenka You know our contracts don't come up every two to three months because these three players four players scenario keeps changing over as shorter period as a quarter, so I won't attribute anything and I should give you priority I have given you the priorities how it impact us.

Abneesh Roy Sir, my last question is again more from a strategic perspective. If you see Star has got two GECs and now we have also launched in the second movie channel, &Pictures. If I see yesterday Chennai Express were shown on Zee Cinema rather than &Pictures so what is the game plan in &Pictures, how do we plan to make it successful, it's a cluttered market and then in GECs you can have much more content because that's up to you to do the content. In movie the problem is, it's a very restricted library and in that if you are showing a high budget movie on a current channel how will your new channel really succeeds some insights into that?

Punit Goenka No, as I said in my opening remarks, &Pictures is focused at a younger mindset audiences and therefore the question of one movie being premiered on another channel doesn't really have that much impact. If you observe what kind of films are running on &Pictures, they are very different from what you will see on either Zee Cinema or anything else. The movies that we are running on &Pictures are movies which normally you will not see on Zee Cinema, so from that perspective it's a different audience base that we are addressing through that and as you rightly said it is a cluttered market so it will take time for us to build that channel up and the brand up.

Moderator Thank you. Our next question is from Rajiv Sharma of HSBC Securities. Please go ahead.

Rajiv Sharma I have just two questions. First one is on the price hike on the ad, so how much of the growth is coming because of the price hike this quarter or rate hike and second question is on the aggregation issue. The recent TRAI



paper which talks about not allowing companies like MediaPro to bundle channels of two networks, so what's your thought on this as to how long this could take to settle and let's in a scenario that say MediaPro is not allowed to bundle channels, so what kind of impacts you see for Zee?

Atul Das

On the first question which is on the price hike I think when we talk about our 20% growth rate in the second quarter over last year excluding Sports, a bulk of that has actually come because of higher pricing of our advertising inventory. Only thing here is to keep in mind that partly it was the festive season and there were lot of impact properties which were launched by us as well as some other television channels, because of which industry has had an ability to price their products higher. In the third quarter it will be a function more of inventory reduction and an adjustment in prices due to that factor.

Punit Goenka

Second point, Rajiv, we had made our representations to the TRAI as to what we think aggregator paper should look like. Of course, if it is to go through in its current form, you are absolutely right that Star Channels and Zee Channels would not be in a position to be bundled together but our belief is that with Phase-II of digitization already done and assuming that by the time this regulation would kick in that TRAI would have to give us may be 6 to 9 months to implement something like this because we are talking about thousands of contracts which will have to get redone. We should have seen a large part of Phase-III digitization also kick in. A large part of the benefit would have accrued to both Star and Zee in our respective manners from that perspective. Having said that, network of our size with close to 16% market share and if want to add the whole Zee Turner Bouquet we would be close to 20% market share, still a strong enough bouquet for us to command the kind of growth that we are looking for in the digital environment.

Rajiv Sharma

Thanks for the answers. Just a quick follow up which are two separate questions. Are you seeing any impact maybe this quarter, your numbers doesn't suggest that, but is there any impact you anticipate because of the GDP, the macro in the next two quarters?

Atul Das

Rajiv, yes the impact is already there. If you look at the total television ad spend growth in the first half we reckon that it will be in the region of about 11% - 12% and normally it should have been higher but I would say in the



balance year given the slowdown I think the performance has been reasonably good. At the start of the year at least we were looking at a slightly lower number and the first half has been better than what we started with. We are yet to see how the second half actually flows through.

Rajiv Sharma

And last question Atul, do you think 10 plus 2 will be a zero sum game means the rate hike will be exactly to the extent of setting off the inventory decline or you believe there is a delta possible?

Atul Das

For such a large transition, it's unlikely to be a zero sum gain, so we will see, difficult to predict now.

Moderator

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

Nitin Mohta

Thanks and congrats on yet another quarter of strong performance. I had just one question from my side – it was interesting to know about regional markets driving this growth. If you guys can talk and share about what are the similarities and differences of this market versus the national GEC market and whether the ad trends that we have seen in the last six months are sustainable.

Punit Goenka

Nitin, the biggest differentiator in the regional market is that a large part of the advertising that comes in that market is from the local players and you will agree that while they do not have the kind of volumes that the national players enjoy but they also give us better yields and are lesser impacted when economic slowdown or sentiments hits them. Adding the fact that our market share gains in regional markets have grown, you have see a significant growth in these markets and we have managed to outgrow the industry.

Nitin Mohta

Sure, if you can squeeze a follow on, on that we know obviously some of the print companies have reported and we have seen strong ad growth there as well, so just from a market share perspective between television versus print, what are you seeing or is the market expanding really at such a fast pace that both the mediums can actually continue to grow fast.

Punit Goenka

So, as Atul talked about the television has grown in the first half of 11% - 12% I think print would have grown in the region of 8% - 9%. The television



is outgoing print in the overall market of course I can't give you the split from regional to national currently, but television in my view will continue to grow faster than print.

Moderator

Thank you. Our next question is from Srinivas Seshadri of CIMB. Please go ahead.

Srinivas Seshadri

The first question is pertaining to Atul's earlier observation that you are expecting domestic subscription growth of around 14% - 15% so first I would like to clarify whether that statement was pertaining to domestic subscriptions or was it talking about overall subscriptions?

Atul Das

No it was domestic subscription, Srinivas.

Srinivas Seshadri

Okay, so Atul the follow up question to that is if I look at the performance for the first half and to reach basically around 14% - 15% growth for the full year, you need just to do a sequential growth of 1% to 2% in the second half so the question is I mean are we being conservative given the fact that till now I mean to some extent Phase-I benefits especially and to some extent Phase-II benefits on the gross billing, etc., are yet to come in. So is it like more of minimum growth number we are guiding or are we particularly building in caution for any specific reason in the second half?

Atul Das

Srinivas, we are not building any caution and as I said in my earlier remark also that you don't have necessarily the quarterly numbers to go by because there could be lumpiness in that so we go by what we estimate as full year numbers and that's the basis of which I have told about 14% to 15%. If we actually deliver more that will be good but that's what where we estimate right now and where we stand that has not changed much during the year.

Punit Goenka

Also you just keep in mind what Atul is talking about is blended average between MediaPro gains as well as Sports Business.

Srinivas Seshadri

Right but Punit there I would presume that, I mean the sporting events are more tilted in the second half there would if anything be a little bit of a positive contribution.



- Punit Goenka** But as we talked about earlier there are some uncertainties to the main event that was to take place in third quarter, so that's why one has to keep that in mind while projecting for the next half.
- Srinivas Seshadri** Sure and then the second question again was just to get into a little more detail on the balance sheet, on the fixed asset side Hitesh if you could shed more color on what kind of assets we have overseas which gets translated into higher based on the currency and what would have been the absolute Capex number we would have done in the first half so that we can understand the effects separately.
- Hitesh Vakil** It is by and large the goodwill which is appearing as intangible assets and fixed assets and it gets translated into Forex rate.
- Srinivas Seshadri** Okay and would you be able to share the absolute Capex number done in the first half?
- Hitesh Vakil** Absolute Capex numbers are roughly around Rs.16 crores.
- Moderator** Thank you. Our next question is from Ajay Vora of Enam Asset Management. Please go ahead.
- Ajay Vora** Just from the previous question of this Capex so what do you expect to do forward full year.
- Atul Das** Our normal Capex typically ranges in the 100 crore region so I would say that, we have invested into a lot of projects which are right now as capital work-in-progress and we are likely to spend about Rs 100 crores.
- Ajay Vora** So, 100 crores could be the number for this year?
- Atul Das** Yes.
- Ajay Vora** Okay and on the preferential shares which will be listing so when is that expected?
- Punit Goenka** We just had the shareholder's approval earlier this month, it has gone to the High Court now. Our expectation is that by the end of the year we should have all the necessary approvals.



- Ajay Vora** Okay, so the overall interest payments and the entire balance sheet effect will come from next year only, not for this year?
- Punit Goenka** Well, I guess it's from the date of issue, right?
- Ajay Vora** Right.
- Atul Das** It can be part of this year also.
- Ajay Vora** Sir just lastly on this loans and advances number if you could just help us with the breakup. Why it has increased?
- Hitesh Vakil** Because we have invested into commercial papers and ICDs of corporates as a part of our treasury activity.
- Ajay Vora** Okay so these are very short term you are saying?
- Hitesh Vakil** Yes it's all short term.
- Moderator** Thank you. Our next question is from Riken Gopani of Infina Finance. Please go ahead.
- Riken Gopani** Just want to understand one thing in terms of the new channel launched on the movie side, what is the kind of breakeven period for a movie channel versus a normal GEC channel, if just help to understand that or will there be no incremental cost attached to that, given that your content is there?
- Punit Goenka** No, there are costs attached to that like marketing, placement all those costs are there. It is difficult to give a specific period for breakeven. It could be anyway from one year to three years but for the GEC, it could be three years to seven years. It all depends on how successful you are and how fast you are successful.
- Riken Gopani** Okay but in terms of amortization of the content, movies would be a larger timeframe within which you would amortize the content is that right?
- Punit Goenka** Our policy is common, it's 20% straight line for five years or the duration of the right, whichever is lower.



- Riken Gopani** Does the movies business do better margins than the general entertainment business?
- Punit Goenka** I can't comment on that.
- Riken Gopani** And just one thing in terms of the receivables side just to understand whether with digitization and we have seen some of the cable companies reported lot of write-offs on collections, are we seeing any delays in receivables from the cable companies or any issues there?
- Punit Goenka** Nothing that is alarming to us as of now.
- Moderator** Thank you. Our next question is from Sanjay Bembalkar of Quantum Advisors. Please go ahead.
- Sanjay Bembalkar** Hi thanks for the opportunity. Actually, my question is on the 10 plus 2 ad cap. As you mentioned earlier that it will be zero-sum game that would the target from Zee Group perspective. But would we be able to pass on the programming cost which we will have to incur theoretically if our programming time goes up from 45 minutes split to 48 minutes still we will be anchoring three more minutes of programming cost related to that timeframe, so whether we will be able to pass on that as well along with ad rate hikes?
- Punit Goenka** Just to clarify we said that it will not be a zero-sum game. It's early for us to say whether it will be positive and how much it will be positive or negative may be.
- Moderator** Thank you. Our next question is from Prashant Poddar of Invesco. Please go ahead.
- Prashant Poddar** Sir, just wanted to understand on the cricket series that you mentioned. Hypothetically, if the India Series were not to happen would it increase the losses or reduce the losses?
- Punit Goenka** Obviously it will reduce the losses.
- Prashant Poddar** Okay so the per match pricing is not similar for the India matches and India versus South Africa matches and let's say South Africa versus West India all other matches, they are different?



- Punit Goenka** Could not be because the monetization of this will be very different.
- Moderator** Thank you. Our next question is from Mayur Gathani of OHM Group. Please go ahead.
- Mayur Gathani** I just wanted to check that do you quantify the losses that you have made in the newer channels like Zee Aflam and &Pictures?
- Punit Goenka** We don't break it out by channels.
- Mayur Gathani** Okay but just approximately the newer businesses would be losing so much of money like you specified for the Sports.
- Punit Goenka** Yes, so the new businesses last year loss approximately 150 crores, this year it will be a bit higher than that.
- Mayur Gathani** Bit higher than that, okay. And what was the non-Sports EBITDA margin sir?
- Punit Goenka** 34.9%.
- Mayur Gathani** And international subscription, any outlook sir?
- Punit Goenka** It will still be weak.
- Mayur Gathani** It will still be weak, so we see a degrowth of FY13 to FY14?
- Punit Goenka** On a dollar term yes, it will be a marginally degrowth, but we are seeing healthy growth in the advertising revenue which is contributing to the growth of international overall?
- Mayur Gathani** Do we see competition shaping or increasing there, with the few Indian companies launching channels, free-to-air over there?
- Punit Goenka** That's only in the UK market that people are going from a pay to a free-to-air service and it's not that significant in terms of size that it can start impacting us in our overall revenues.
- Moderator** Thank you. We will take our last question from Yogesh Kirve of Anand Rathi. Please go ahead.



Yogesh Kirve

Yes, since we have mentioned that the overall ad revenue growth during first half was better than what we started out with, so could you share any color of which sectors did better than the others?

Atul Das

See this first half and particularly this quarter the FMCG segment has continued to do well. In fact we have seen better advertising spend even from the automobile sector. Durable sector also has improved. What has not done well includes the banking and financial services sector and the DTH and telecom sectors have been weak. Telecom services also has been weak, so these are the segments which have not contributed positively, but fortunately from the FMCG and the durable segment we have seen pretty good response and therefore the growth has been slightly better than our initial expectation.

Yogesh Kirve

My second question, sir because of the Ad-cap Regulations, now you expect that inventory is going to come down not just for you but other broadcasters as well. So, should that impact the product strategy in the sense should we see more new channel launches to partly compensate for the limit?

Punit Goenka

Yes, Yogesh, you can say that part of the new launch and strategy will be to compensate for inventory loss but just by increasing inventory will not help us in the long term. Eventually it is the value gain that will impact the business much more than just inventory expansion, so not all products will be purely on the logic of inventory expansion because of TRAI Regulation. You may do one or two products which would compensate for that but overall the launch plans would be for value accretion.

Moderator

Thank you. I would now like to hand the conference back to Mr. Kanwaljeet Singh for closing comments.

Kanwaljeet Singh

Ladies and gentlemen thank you again for joining us. We hope to have the transcript of the call on our website www.zeetelevision.com soon. We look forward to speak to you again at the end of third quarter of fiscal 2014 or even earlier one-on-one basis. Thank you and have a great evening.

Moderator

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



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