



"Network 18 Investor Conference Call"

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NETWORK18: **MR. RAGHAV BAHL – FOUNDER AND MANAGING DIRECTOR, NETWORK 18.**
MR. HARESH CHAWLA
MR. SAI KUMAR
MR. RDS BAWA
MR. SARVIR SINGH

Moderator: Ladies and gentlemen good day and welcome to the Network18 investor conference call. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Raghav Bahl, Founder and Managing Director – Network18. Thank you and over to you sir.

Raghav Bahl: Well thank you very much. Ladies and gentlemen welcome to this call on an exceptionally important day, truly a landmark day for us at Network 18. We believe that in several ways today, we stand transformed and ready to literally make the best use and build on the kind of opportunities that are now going to come the way of India's electronic media with this wave of digitization which is absolutely imminent. We literally begin tomorrow as a company with the strongest balance sheet, with the strongest set of operations and literally limitless opportunities before us as this transformation happens in India's media landscape. So in that sense, today is an extraordinarily important day for us at Network 18 and TV18 and we are delighted to share that with you.

We have put out a very detailed press release which gives the sense of the transactions, the acquisition transaction of the Eenadu channels as well as the funding transaction by the rights issues. Reliance Industries have put out a separate press release which you may have seen as well. They have explained the rationale as well as the structure of the transaction that they are contemplating. We believe that a lot of information is already out there in the public domain. This has been a fully disclosed transaction at this stage from both the parties.

As far as the Eenadu Assets are concerned, we just believe that the next wave of growth for India's electronic media will come from the regional markets whether it is television, whether it is Internet or e-commerce. The rate at which ecommerce is growing; it will get a huge fillip from the regional markets. In that sense, it is quite a fantastic completion of our bouquet of properties to have this very large regional asset with us. We are quite confident that even though the regional assets that we have acquired today are quite strongly EBITDA positive, we believe that given TV18's synergy and

given TV18's operational efficiencies, management style and ability to scale up projects, we believe we will be able to really build on this very strong foundation and take these channels on to another trajectory along with our national properties. It is an extremely robust acquisition and also backed by an extremely robust balance sheet and the structure of the transaction we believe has been transparently disclosed to shareholders. It is a transformational day for us and we are absolutely excited at Network 18 and TV18 to be ready for what we believe will be the most important phase of growth in India's media industry similar to the kind of growth that the telecom business saw in 2000. This is likely to be the kind of growth we will see from here on and we are very thrilled that we are today equipped with all the ammunition and arsenal required to make full use of this next phase of growth.

I would urge Haresh and Sai to add to their understanding of the regional space and the opportunities there, which is quite a bit more than me because they have actually dealt with these operations and seen at close quarters the kind of growth that is happening here.

Sai Kumar:

I think in a few calls with all of you, we have discussed in the past our view on the regional space and that it is a very critical space for us to complete our bouquet. It is a critical space for us from a growth perspective because very clearly local advertising and local viewership is on a far better growth trajectory than national advertising and national viewership. Also if you look at synergies within the group, be it in news or entertainment or factual entertainment, these synergies could be much better exploited with the regional foothold. Now that is what this potential Eenadu acquisition really offers to us especially with the clutch of Pay TV channels that come along. Also as Raghav mentioned a while back, most of them and a large part of those operations are EBITDA positive individually and as a full clutch, they are EBITDA positive operations. This also catapults us to the big league and makes us better poised to face and make the most use of digitization which all of us are waiting for.

Haresh Chawla:

I think there are two critical issues and I am sure it got covered, but one is that it is a high growth market. The second more important issue is that they add bulk to our bouquet. All our peers and competitors enjoy a large legacy premium because of the size and scale of their networks on the distribution front. We having been the youngest network, this allows us to actually add bulk

to our network and in a sense cover that legacy gap on a much faster rate. We have said that it will take us 3-4 years to cover the legacy gap when we did not have this asset with us. That time will probably shrink considerably once we have these assets and can go and negotiate as one large bouquet in the new digitized environment.

Moderator: Thank you very much sir. We will now begin the question and answer session. Participants who wish to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use only handsets while asking a question. We have the first question from the line of Anshul Sehgal from Kotak. Please go ahead.

Anshul Sehgal: I have a few questions. First is the promoter contribution in TV18 is a minimum of about 1600 crores which will be of course contributed by various promoter entities other than Network18, some other ones also. And you also mentioned that the premise for this rights issue is for Network18 to repay debt as well as subscribe to this rights issue in TV18. There may be a situation where you subscribe to the unsubscribed public portion. So in that sense your contribution in TV18 goes up, so the ability to repay debt in Network18 goes down. Can you give a sort of range in which you will be repaying debt in Network18?

Raghav Bahl: Network18's contribution to TV18 at its current shareholding level of nearly 50% is 1350 crores and that is what Network 18 will be putting in. What we have said is that the promoters that are Raghav and Independent Media Trust will be free to pick up the unsubscribed portions. Network18 will not be putting anything more than 1350 or 1400, whatever the exact number is - that it has to put into TV18. The balance if un-subscribed, will be picked up by the promoters and not by Network18. So Network18 will be left with a full 1300 crores of cash to repay its debt.

Anshul Sehgal: Now in this case for funding of this rights issue, are all the promoter entities getting funded by IMT?

Raghav Bahl: That is correct.

Anshul Sehgal: And the OCD structure of funding; in case there is a conversion, will there be an open offer?

- Raghav Bahl:** Well I think that is a purely hypothetical question at this stage as we have said quite clearly that the entire control rests clearly with me and my entities. There is absolutely no diminution or dilution of control. What Independent Media Trust is intending to do for Reliance shareholders is really to make an accretive investment for their shareholders. So at this stage, there is absolutely no need for anything like that because control is absolutely and unequivocally undiluted.
- Anshul Sehgal:** If there was a conversion, when would it happen?
- Raghav Bahl:** There is absolutely no sort of milestone or benchmark for that. As we said, the funding today will happen through optionally convertible debentures.
- Anshul Sehgal:** And all of the funding, so in case again in Network18 your contribution as promoter goes up because of the unsubscribed portion, the additional amount will also be provided by IMT?
- Raghav Bahl:** That is absolutely correct. That is the right that we are reserving. Having said that, we also believe that in the short time that has elapsed since the announcement of this transaction for us, we have received tentative because they can only be tentative in the three hours that has passed, underwriting offers from several large bankers. So our sense is that there will be a lot of interest in the issue and we do not really expect the issue in any case remain unsubscribed. Having said that, as we have stated in the press release - we reserve our right to pick up the unsubscribed portion.
- Anshul Sehgal:** And so the line from IMT is up to 2700 crores for the Network18 issues?
- Raghav Bahl:** Technically speaking if nobody else subscribes, then the promoters are saying they reserve the right to subscribe to the entire lot, so it is 4000 crores.
- Anshul Sehgal:** Right, so 4000 crores including TV18, I was just talking about Network?
- Raghav Bahl:** The whole net aggregate rights issue is 4000 crores. You are absolutely right Network 18 is 2700 crores and TV18 is 1300 crores.
- Anshul Sehgal:** Is there a reason why shareholding in the last quarter was consolidated under RD holdings and away from RD invest and your personal shareholdings?
- Raghav Bahl:** No specific reason. Those were entirely personal reasons of mine why I needed to move some shares around, which we did.

- Anshul Sehgal:** And the pledge will remain the same, percentage of pledge and all of that remains the same?
- Raghav Bahl:** The pledge remains same because as of now the loans are the same. When the loans are repaid, the pledge situation will change.
- Anshul Sehgal:** Could you also explain what do you mean by in the press release - preferential access to content which Infotel will get?
- Raghav Bahl:** The fact that Infotel is going to be a very large technology distribution platform of content and technology distribution platforms like DTH companies and cable companies or port generation broadband companies like Infotel need content. So our content will be available to Infotel, but at arm's length pricing, but in a most preferred pricing format i.e., the best price that we get for our content would be also available to Infotel.
- Anshul Sehgal:** And this will be versus other media as well, for example cable, for example DTH versus those also or is it only versus other media in the same space?
- Raghav Bahl:** The sort of formula would be applicable to each individual space separately, so the pricing within that space. So internet pricing will differ from DTH pricing, will differ from cable pricing.
- Anshul Sehgal:** No, but they will have preferential access for each of these. So they will become in a sense an intermediary between you and each of the final sort of displayer?
- Raghav Bahl:** They are not taking exclusive distribution rights of our content. They are going to be one of the distributors for us who will have access to this content on a first right and a preferred basis, but it is not an exclusive deal. They are not an intermediary for us on transactions with other distributors. We will do all distribution transactions ourselves.
- Anshul Sehgal:** And for the residual stake of ETV, is there a pre-decided price?
- Raghav Bahl:** The option price?
- Anshul Sehgal:** That is right.
- Raghav Bahl:** We are in the process of finalizing the transaction documents there. Today the board has gone over the valuations and the due diligence findings and has

authorized us to negotiate within the Rs. 2100 crores price. So I think as we get into the final transaction document, we will be locking these things down, but we expect the option price to be at the same price as the original.

Anshul Sehgal: And any impact on the Sun18 JV?

Raghav Bahl: The Sun18 JV is a distribution of channels JV and this is an acquisition of channels. So these are two different transactions. Once we get all statutory approvals to gain control over these channels our bouquet of offerings will be stronger. They are two different transactions and two different kinds of transactions. Sun as I said is a distribution deal while this is an acquisition and operation deal.

Anshul Sehgal: So no impact on that considering that you will in a sense become direct competitors to Sun TV?

Raghav Bahl: Zee and Star distribute together.

Moderator: Thank you. The next question is from the line of Avadhoot Sabnis from RBS. Please go ahead.

Avadhoot Sabnis: Firstly sir your press release states that the board has approved an outlay of up to Rs. 2100 crores for the acquisition which comprises of 3 separate groups of channels. Would it be possible to give us a breakup in terms of how this 2100 crores spread over these 3 separate groups?

Raghav Bahl: No, since the transaction is in progress and the final acquisition documents have yet to be executed, I think it is premature to talk about granular detail at this stage. The board has clearly capped the outlay for the entire acquisition and within that we will be now sitting down and negotiating final documents on every transaction. I think any detail before that would be premature.

Avadhoot Sabnis: Secondly sir just to seek a clarification as you really pointed out that in the unlikely event that nobody else subscribed to the rights issue than the promoters effectively have taken the entire 4000 crores of the rights issue.

Raghav Bahl: These promoters have certainly reserved that right, yes.

Avadhoot Sabnis: Do the promoters have similar rights to raise the entire 4000 crores from the trust?

Raghav Bahl: The Independent Media Trust would be supporting the promoters in buying any unsubscribed portion. I want to add that our first effort would be to get the underwriting for the balance issue done and from the responses that we have got in just the three hours that have lapsed since the board finished deliberations; we believe that there is no issue in getting the underwriting done for the rest of the issue.

Avadhoot Sabnis: Absolutely but we live in pretty uncertain times.

Raghav Bahl: You are right. There is a promoter backstop there.

Avadhoot Sabnis: And related question on that, I do not know whether I have got the numbers wrong, but effectively if you have to take the entire rights issue in aggregate, I would presume the promoter holding and Network18 will go well above the prescribed 75-76%.

Raghav Bahl: It is early days to do the arithmetic because as you would now know that under the new takeover code, there is a pricing formula on rights issue that has been placed. So what was earlier a freely free pricing market has now been curtailed into a fixed pricing market, at least the cap has been put. So I think it is early days to calculate the exact stake that we may end up in any hypothetical subscription scenario but there is conceivably a situation that you speak off could happen, but I think that is a pretty far out situation right now.

Avadhoot Sabnis: And lastly sir could you share some details of the terms of the optionally convertible debentures?

Raghav Bahl: It is a private transaction between the Independent Media Trust and my promoter companies and the relevant thing is that the voting control over those shares stays with my promoter companies. I think that is the only relevant detail for shareholders of Network18 and TV18. The other is a transaction in the private space between a financing party and a sort of borrowing party and I think since it has no material impact on the operations of the channels. That detail best stays in the private domain.

Moderator: Thank you. The next question is from the line of Mohan Lal from Elara Capital. Please go ahead.

Mohan Lal: Sir just first of all a follow up question on question asked earlier. Is that unlike in Network18, is there a possibility of Network18 share going up in TV18 broadcast in case that the whole rights issue is unsubscribed or will the IMT also pitch in for the rest of the unsubscribed portion in TV18 broadcast as well?

Raghav Bahl: No as I clarified, the intention is for Network18 to preserve its 50% plus block in TV18. So Network18 is certainly subscribed to its entire entitlement. Over and above that, it is my promoter entities with Independent Media Trust as the funding vehicle which has reserved the rights to subscribe into any unsubscribed portion of TV18 and Network18.

Mohan Lal: So sir just to again confirm it, Network18's share in TV18 broadcast is unlikely to go up to 51% in the event of an unsubscribed portion right sir? Your share can go up, but not Network18.

Raghav Bahl: Correct. Network18 has preserved its current shareholding. Just to put it in more technically correct language, Network18 will pick up its entire entitlement but no more.

Mohan Lal: Sir I just wanted to know where will the ETV's regional business reside in, if you hold, you get 100% of news. So I am presuming that probably news part will go into the standalone region, but 50% of regional entertainment, will it be like Viacom18 kind of a subsidiary separately or will it come under Viacom18?

Raghav Bahl: As things stand today, the 50% stake has been acquired by TV18 for the general entertainment channels. The news channels are a 100% acquisition, so whether we choose to keep them in a separate company or whether we choose to merge with the subsidiary back into TV18, that is only a technicality, but the 50% stake in GECs is something that we have acquired. We also have an option on the balance 50% and we would like that option to be examined by Viacom18. Viacom18 will do their due diligence and see whether how they wish to exercise this option and we will take it from there.

Mohan Lal: And sir I just wanted to understand another thing that will you be retiring the whole 100% debt of TV18 which includes the news and the Viacom18 part?

Raghav Bahl: Viacom18 is a separate company and Viacom18 will take its own debt calls, but we certainly will be retiring the entire debt at TV 18.

Mohan Lal: Which will be how much sir and total at current level?

Raghav Bahl: I think last quarter right? 450 odd crores, the net debt of TV18.

Sarbvir Singh: TV18 without Viacom18 is 500 crores of net debt.

Mohan Lal: Sir another thing I want to clarify is that, is there any debt at Eenadu level?

Raghav Bahl: Very marginal. They have only working capital debt. So they are a virtually debt free company if you keep working capital out of the definition of debt.

Mohan Lal: Okay sir and now with this presence in regional complete, can we say that TV18 broadcast is out of an investment mode as far as broadcasting investments are concerned to a large extent?

Raghav Bahl: I think that is a statement that we will endorse. We do not need to now be in the investment mode in the sense that we do not need to increase our footprint. There may be one or two balancing items like variants of existing channels, but I think, which is exactly what we said that minus a few things here and there, we are clearly out of the investment mode as far as broadcast is concerned. Our focus entirely now is to step up the profitability of our broadcasting operations which as you will see on a combined basis, i.e. if we put the combined GECs and the news channels of Eenadu with our existing bouquet, our advertising revenues are virtually equal to Zee's advertising revenues. So in footprint terms, we are already there. It is just that our distribution revenues are still one-third of these and I think that is what we need to step up on. So our clear and total focus will be on profitability now.

Mohan Lal: Would you be sharing Eenadu's top line and bottom line numbers?

Raghav Bahl: I think at the point at which the transactions have crystallized and has been consummated, those are the appropriate times at which this should be shared with shareholders and we certainly will and remember we are a listed company. So it will come into our quarterly results.

Mohan Lal: From Q3?

Raghav Bahl: We have to go through the statutory process to complete the transaction.

Mohan Lal: When could be the rights issue date sir?

Raghav Bahl: We hope to move the draft prospectus very shortly and then from there on SEBI has to approve the documents and then we walk through the process. Going by previous experiences, rights issues can be put on the roads between 60 to 90 days.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Raghav congrats on this deal. Just one or two gaps which are still remaining in our bouquet are the movie channel in Hindi which was postponed. Now with our balance sheet being much stronger, could you share what is our stand there in Hindi and English movie channel and Tamil and Malayalam GECs?

Raghav Bahl: I think Abneesh as I just said in response to the previous question; our focus now is on profitability. I do not think our focus is to launch or quickly cover the gap, as and when we do that, we will do that, but I do not think that is what we need. With the 25 channel bouquet, with almost all the channels which are at number one or number two and only in some situations number three in their respective category. I think the task is cut out for us. We are not going to be looking at launching anything new. I think the next 12-24 months; we will put our head down and really squeeze these assets and take them to fairly reasonably quick profitability. So to answer it in another way just because we have the cash in the balance sheet, I do not think the prospects of the Hindi movie channel have changed, I think our assessment of the Hindi movie channel space is the same, and that is that it is in a very competitive space. We want to evaluate its feasibility in December 2012 which is still almost a year away. So I think that stays unchanged. We would not change that assessment just because we have now got cash in the balance sheet.

Abneesh Roy: Just one follow-up on that. If you see, Hareesh you have said that we have a gap with Zee, 1:3 gap in terms of subscription revenues. When do the two teams actually start operating at the ground level in spite of the statutory approval taking time? So when do you see this gap really getting closed, instead of the 3-4 years which was happening earlier.

Raghav Bahl: One can safely say it will be quicker than the 3 or 4 years that we were earlier envisioning. Once the statutory process is complete and the transaction is consummated, then I think we will have to put our heads together and see how we can quicken the pace. So it is really slightly early to get into operational details, but the fact that the two together make for a far more powerful combination than existed earlier. That fact is given because we did not have any regional assets in our bouquet except for IBN Lokmat, which is a very tiny channel.

Moderator: Thank you. The next question is from the line of Miten Lathia from HDFC. Please go ahead.

Miten Lathia: Is it a correct reading that your effective stake will go well below 51% into Network18, but your voting rights on Network18 will remain 51 or higher?

Raghav Bahl: I think the important thing and the relevant thing is that I maintain full undiluted control over Network18. The other stuff is in the private domain and depends on several other structures and transactions and benchmarks that exist. So it is difficult for me to answer that and it is frankly not even necessary because the necessary bit is the voting control, which is exactly as it was.

Miten Lathia: Will there be cash infusion in Network18, so basically what happens first the rights or the TV transaction?

Raghav Bahl: The rights are conditions precedent virtually to the deal; we will have to have the cash to pay for the deal. So to put it another way, the ETV acquisition can only happen after the successful rights issue.

Miten Lathia: So will it take some time for you to start reporting some numbers on ETV once your transaction is consummated. Could you give us some performer headline numbers of ETV for your share as in just for the proportion that TV18 has got out. What will be the revenue EBITDA look like?

Raghav Bahl: The transaction has to be consummated; it would be premature to give those numbers at this stage. But suffice it for us to say that the channels are operating on a pretty impressive EBITDA percentage.

Miten Lathia: The reason why I asked this is because Reliance Industries' press release claims that they bought it for 2600 and it appears that you got 50% of what they

bought for 2600 at the price of 2100. So is that reading right or are we missing some piece in between?

Raghav Bahl: I think it is difficult for us to comment on what the original acquisition price was or the structure was as we are not privy to those details. So it would not be correct for us to venture into that territory. The fact is that - that transaction happened almost 5 years ago and the fact is that we are buying 100% of the news channels, not 50%, 50% of the entertainment and 49% of the Telugu channels.

Miten Lathia: Bulk of the value would reside in the entertainment business, isn't it?

Raghav Bahl: No. A lot of the value resides in the entertainment business and a lot of the value resides even in the news business, but as I said we are not privy to that transaction. We have done our assessment of the value that the current state of the asset brings to us and on that basis; the board has arrived at this price and has mandated the acquisition within this limit. I think the board is clear that this is the value that is coming to us today.

Miten Lathia: Just to make the flow of money sort of clear here, so on sort of a temporary basis IMT lends 1700 crores to your promoter companies to subscribe to the rights issue which then percolates to TV18 and then TV18 pays the same money back to IMT or some other entity to buy out ETV. Is that the flow?

Raghav Bahl: I think that is a question that we cannot answer. We are giving you the funding lines for the promoters and we are buying the Eenadu Assets from a clutch of companies. Now Reliance's disclosures are what they have made that they had an economic interest in those companies which own the Eenadu Assets. So I think that is what we know and that is what has been disclosed in the two releases.

Miten Lathia: So you hope that your Q4 results will have some ETV numbers.

Raghav Bahl: No, unlikely that Q4 would have this because the transaction has to go through statutory processes. It would be extremely optimistic to assume that things will get done in 90 days, but the next quarter is a much more practical bet.

Moderator: Thank you. We have the next question from the line of Nikhil Vora from IDFC. Please go ahead.

Nikhil Vora: Firstly what is Reliance stake in Eenadu?

Raghav Bahl: We are not privy to those details. So it is not for us to answer that question.

Nikhil Vora: We are buying 50% of the business and the investments that Reliance puts in right now in this platform, this is done with a lien on TV18 or Network18 shares or it is done just as a loan to the group promoter? Sir the amount which is being raised by or lent by the Reliance Group is that against a lien on shares of our existing business of the promoters or there is no lien on stock?

Raghav Bahl: No, there is no lien at all. They would be funding the Independent Media Trust and the Independent Media Trust in turn would be lending the money to promoter companies which would use that money to subscribe to the rights issue. That is the only ownership that would be linked to that money.

Nikhil Vora: And the lending is done against collateral?

Raghav Bahl: There is no collateral. The money will be used to pick up the shares in the rights issue and that is the only asset that is created by that cash.

Nikhil Vora: And does the promoter classification offers change or that remains the way it is.

Raghav Bahl: The promoter classification stays completely the same as it was.

Nikhil Vora: I have just one issue, I guess the disclosures are slightly better than what we have seen earlier, but if one does not know that whom are we paying this capital out and whom are we buying out, it is literally a zero quote transaction across the board?

Raghav Bahl: Your question was what is the stake? I think Reliance has made the disclosure of their economic interest. Now whether that is complete or less, we have no business knowing that. We are buying assets from a seller. Now what is the ownership structure of that seller, is not required as a part of the transaction.

Nikhil Vora: Operationally who will control that business, the Eenadu business?

Raghav Bahl: TV18. TV18 as we have disclosed will own the news channels 100%. The GECs will be 50% owned, but both controlled by TV18. So we will have control over the company even though the ownership is 50% and the two Telugu

channels, we will be investors in it. They will continue to be operated and managed by the existing management.

Moderator: Thank you. The next question is from the line of Ritwik Rai from Kotak. Please go ahead.

Ritwik Rai: Sir I just wanted to understand that you said the subscription revenue will be about one-third of both these transactions. So about 400 crores for this year?

Raghav Bahl: There is no Eenadu this year.

Sai: If you look at as a system, we will end the year with close to 300 crores. So counting 100% of Viacom18, we will have about 300 crores.

Ritwik Rai: So counting 100% of Viacom18 and Eenadu, you would have 300 crores.

Sai: I am not counting Eenadu and all; I am just saying Network18 channels as we speak today.

Ritwik Rai: So that will have 300 crores.

Sai: That's correct.

Ritwik Rai: And you were saying a third, so that included Eenadu?

Raghav Bahl: Yes we are saying that today we are about a third of the Zee Group distribution revenues. I do not think Eenadu had has distribution revenue.

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Moderator: Thank you. The next question is from the line of Vikas Mantri from ICICI. Please go ahead.

Vikas Mantri: Just wanted to understand, the GEC channels Bengali, Marathi, Kannada all these, while Reliance owns 100%, why do we end up with only 50% and Reliance is the remaining holder?

- Raghav Bahl:** We can answer that. As I was telling Nikhil we are buying from a seller. Now the structure of the seller, we neither need to be privy to that nor are we privy to that. So I do not think we can answer one part of your question. 50% is very clear because we expect Viacom to do the due diligence. We have an option on the balance 50% and once Viacom18 comes to a conclusion on whether they would like to participate in this transaction – we will know how to proceed.
- Vikas Mantri:** The related question to this is, what is the ballpark revenues and profitability of the Eenadu channels and the question why I asked is given that the company plans to raise close to 4000 crores from investors and for investors to make an informed decision whether what they are buying into is right and what the company is buying into it is right and well valued it would help us in that analysis.
- Raghav Bahl:** You are absolutely right and therefore the rights offer documents will have all the required mandatory details. I just believe that today it will be premature to get into those details because the transaction has not been consummated yet.
- Vikas Mantri:** But we would still have a clue and given that you have given a number out of 2100 crores, you would clearly have a clue what is the ballpark numbers that are there?
- Raghav Bahl:** This is not the time at which that disclosure has to be made, that clearly will be made once the transaction has reached the required stage and therefore the letters of offer will have those details as it is required under law. Today the board has considered those details.
- Vikas Mantri:** Let me put some data for you in terms of the company saw the channels that we are acquiring, a very related player or a similar player that exists in the market space is the Zee news regional bouquet which you have bought over by Zee around 2 years back and in each of the channels that you operate, they own a higher market share of GRPs than what ETV does and the valuation done by Zee TV then was 1300 crores over the revenue of 375 crores, which is 4 times sales on a profitability of 30% EBITDA margin. So the point here is last time when we did a restructuring at IBN, TV18 and Network18 level, we bought TV18's business channels at 30 times EV/EBITDA and that was the valuation suggested by our consultants. So I would say are we ready to still look at 30 times EV/EBITDA multiple, given clearly that this business is spent of the 50% stake not more than 350-400 crores business and may be a margin profile of around 25%. So basically we are again talking about paying north of 20-25

times EV/EBITDA for these regional GEC channels while we appreciate the growth profile, is that what we are doing?

Raghav Bahl: I think it is not appropriate for us to get into any detail which is disclosed in confidence to the board today. At the right time, all these details will have to be mandatorily declared in the rights offer. I think it is a bit premature to get into this. These details have been considered by the board today on the basis of valuation reports put forth by the advisor. The board in its wisdom has decided and it has kept an acquisition price for the asset. Now we have to take the transaction forward and consummate it and declare the required information at the time of the rights offer. Anything other than that would be premature.

Vikas Mantri: But only thing there is a valuation philosophy that the company pursues was the growth that the company pursues, we are fine with being 20-25 times EV/EBITDA is what we would agree to or say we would be conservative to that account?

Raghav Bahl: 20-25, you are putting very finite numbers. I don't have the information off hand with me here. So all we are saying is that we can go and look at these numbers more granularly as you have laid out. I am not able to respond to that kind of granularity, but clearly the operations are reasonably strongly EBITDA positive. They bring a lot of strategic value to our bouquet and at the point at which it is correct to make financial disclosures about the target assets, I think that is the point at which we will make those disclosures. Today we cannot, we are bound by confidentiality agreements, not to make premature disclosures.

Vikas Mantri: Raghav, just to make it very clear, we will be only able to take an informed decision when this data is out and there is no reason why we should wait for the rights document to get this data out given that we are talking about this transaction already.

Raghav Bahl: I think that is your point of view so it is fine.

Vikas Mantri: See there had been concerns on disclosure levels earlier. So at this time we should change the prior behavior and at least go about with this because that will only facilitate an already informed decision.

Raghav Bahl: We appreciate what you are saying Vikas, but the issue is that we are also bound by confidentiality agreements. I mean, before a transaction is consummated, we are not in a position to make a disclosure that we have been

prohibited from in a confidentiality agreement. I think we will have to appreciate that as well. This is not the one in which we are the only party involved here.

Moderator: Thank you. The next question is from the line of Dipan Shankar from HSBC. Please go ahead.

Dipan Shankar: Only thing I want to understand is more about the regional growth and how are you about to go for the subscription, multiplying the subscription income on the same?

Raghav Bahl: Well I think as I said the operational details can only be worked out when we actually own the asset. Today we do not actually own the asset. There are a few steps that are required before we actually become owners and managers of the asset and only then can we get into operational details. Today we can make a strategic call that if our bouquet is strong enough and has a footprint across regional markets with properties which are strong, we will be able to step up our revenues considerably, but how we go about doing that, what the operational matrix will be, I think it is premature to comment on that. We are not in the driver's seat today. So I think we will have to wait for those details to be discussed with investors and analysts at a point in time which is more appropriate when we are actually in the driver's seat.

Moderator: Thank you. The next question is from the line of Aashish Uppanlawar from Spark Capital. Please go ahead.

Aashish Uppanlawar: How is the 4000 crores of cash going to be utilized exactly? How much of debt repayment is due and I think 2100 crores is what is due to Eenadu.

Raghav Bahl: It says up to 2100 crores. So it could be less than that and in the final transactions, when you do the final execution then there are last minute net offs and assets liabilities etc. that you do. So all of that will come into play. We have about 1400 crores or thereabouts of net debts, which we intend to reduce to zero. The net aggregate rights issue that is happening is 4000 crores across both the companies. So if you look at the arithmetic, 1400 crores of net debt plus 2100 crores of capped acquisition amount, which adds up to 3500 crores. So I think we have enough capital to achieve both the objectives.

Aashish Ugganlawar: Okay so about 500 crores remains.

Raghav Bahl: Yes, that is the cash with the group, but after the stated end use of the acquisition of the Eenadu assets and repayment of our term debt, you will see that we have sufficient cash and the balance would be working capital available to the group.

Aashish Ugganlawar: Sir absolutely nothing on what would be the conversion of OCDs that you are having in this transaction from Reliance?

Raghav Bahl: That is not a relevant fact for Network18 or TV18 shareholders because the control stays undiluted and undiminished with the current promoters. So the transaction that current promoters have with their counterparty at the other end, which has no material impact on the running of the company, is not relevant for the company shareholders. We believe that is a private transaction and there is absolutely nothing inappropriate in keeping it private.

Moderator: Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs, please go ahead.

Hiren Dasani: Just want to clarify that basically what you are saying is that the rights issue will be subscribed by the promoter entities and if at all there is any devolvement of the rights by the minority shareholder, the additional amount will also be subscribed by the promoter entities only. IMT will not make a direct investment in the rights issue.

Raghav Bahl: That is correct. If the promoters exercise their right to pick up the unsubscribed portion then that will happen through the promoter entities and not directly by IMT.

Hiren Dasani: Not directly by IMT and IMT will only fund the promoter entities.

Raghav Bahl: Absolutely correct.

Hiren Dasani: So potentially what you are saying is that in the eventuality of let us say in the worst case scenario that is promoter entities will have to be funded almost to the tune of 4000 crores by the IMT.

Raghav Bahl: That is theoretically a correct position. It could happen.

Hiren Dasani: And we are talking about 4000 crores of funding through an optionally convertible debenture structure whereby the financier is not asking for any control?

Raghav Bahl: That is absolutely correct.

Hiren Dasani: Under what conditions this becomes transfer of control because it is a substantial amount involved here.

Raghav Bahl: There is no transfer of control involved and the control rests with the existing promoter. The voting rights on all shares are going to be exercised by the promoter entity. Independent Media Trust is making an investment on behalf of Reliance shareholders and their intention is only to make it an accretive investment for the shareholder. They have no other interest in the transaction.

Hiren Dasani: But in that case if the intention is never to convert, then why not make it a fully non-convertible debenture financing?

Raghav Bahl: I am saying the intention is to make it an accretive investment for Reliance shareholders. The intention is not to exercise control of any sort. I never said the intention is not to convert.

Hiren Dasani: Okay basically what one is trying to understand is under what conditions Reliance Industries through Independent Media Trust become the shareholder of the listed entities of the Network18 and TV18?

Raghav Bahl: I think this has been very transparently disclosed by Reliance in their release as well. Their intention is that they see it as a value creating investment for their shareholder. Now what form or shape that investment is held in, whether it is held as optionally convertible debentures or any other instruments is a secondary consideration. The primary consideration is that it should be economically accretive for them and they have stated it unequivocally as well as we have stated it and that is the correct position that they do not exercise or participate in any control procedure or function of the group.

Moderator: Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah: Sir are we sincerely guiding probably in the foreseeable future by 2-3 years' time, we are absolutely not looking at conversion of these OCDs.

- Raghav Bahl:** I think all those questions are not relevant if you permit me that phrase. Because the relevant part for Network18 and TV18 shareholders is, who is controlling these companies and controlling the voting rights on these companies. Everything else as far as the shareholders of Network18 and TV18 are concerned is not relevant. The economic transaction between the promoters and Independent Media Trust is a private transaction in the private space. It has materiality and impact on Network18 and TV18 only when it creates any alteration in control, which is not happening. So I don't think those questions really need to be answered as they are transactions in the private space and to repeat I don't think it is inappropriate to keep it in the private space. If it belongs in the private space, it should stay in the private space.
- Bijal Shah:** Essentially so you are saying that this one is assuming that at some point in time they do get converted into shares. Then you will continue to have entire management and operational control in voting part.
- Raghav Bahl:** That is absolutely the stated intention of everyone.
- Bijal Shah:** I mean there is some shareholder rights agreement which will arrive with IMT and that would entitle you. They might have an economic interest but you will continue to have an entire operational as well as management control. Is that what it is?
- Raghav Bahl:** I think that has been stated in pretty unambiguous terms, in their release as well as ours.
- Bijal Shah:** Another thing is that optionally convertible is at whose option, our option, their option, or there is some trigger for that?
- Raghav Bahl:** I am going to come back to that thing. I don't think that is relevant. If it has no relevance to the voting rights and control at Network18 level, then it has no relevance at that point for shareholders of Network18 and TV18 and therefore it is appropriate to keep that transaction in the private space. The materiality of that has been declared unambiguously by both the parties. The control stays undiluted in the hands of the current promoters and the Reliance shareholders are looking upon this purely as an accretive investment that they have made.
- Bijal Shah:** Only one probably material thing if you can divulge on that, what is the rate for this OCD?

- Raghav Bahl:** Again as I said that it is not material for Network18 and TV18 shareholders. If any of this information is material for the Network18 –TV18 shareholder, then I think it is appropriate for it to be disclosed and the materiality of the information that the entire voting controls on these investments are held by the promoters, has been as I said unambiguously disclosed to the relevant parties. The rest of the details are clearly in the private space.
- Bijal Shah:** You mentioned that ETV Telugu channel and Telugu news channel, we will not have an operational and management control on that, is that a correct understanding?
- Raghav Bahl:** That is right. We are buying 24.5% in this transaction. We have an option on the balance 24.5, but our shareholding of 49% is an investment. It is not going to give us operating or management control.
- Bijal Shah:** That is again the same thing. Who is managing this company right now and who would be managing it?
- Raghav Bahl:** The Eenadu, the Ramoji Rao Group is currently managing this. It is entirely their call as to who manages this.
- Bijal Shah:** That they own 51%.
- Raghav Bahl:** I think they are the ones who are operating those assets and it is entirely the existing operators' call on how they wish to manage those assets, we do not have management rights on that asset.
- Bijal Shah:** When we say that an outlay of 2100 crores has been approved, so does that include these options also or it is only up to the 50% in GECs and 24.5% in Telugu channels?
- Raghav Bahl:** This is the current 100% of news, 50% of non-Telugu GEC and 24.5% of the two Telugu channels, which is news and entertainment.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.

- Ankit Kedia:** Just on a hypothetical note, is there a risk that after the rights issue the deal can fall apart, in the sense we don't even know the sellers of the remaining 50%, they can create a legal hurdle or not sell us the stake?
- Raghav Bahl:** Absolutely a hypothetical situation. As of now as we have already said our Board has on the basis of due diligence and valuation reports, approved an in principle acquisition and the deal is not consummated.
- Ankit Kedia:** After the rights issue can that happen? In the sense we raise the money, we take loan from Reliance and then the deal falls apart.
- Raghav Bahl:** We don't believe that situation should arise because we hope to have a legally binding agreement as we said in the press release as well subject to our ability to raise the money in the rights issue.
- Moderator:** Thank you. The next question is from the line of Ruchit Mehta from SBI. Please go ahead.
- Ruchit Mehta:** I think Raghav in some senses there is a materiality in the transaction detail because potentially there could be a change of promoters or ownership of the asset. In case you are personally unable or your investment company is unable to pay off that loan and the quantum is quite large, 4000 odd crores, so I think it would help us better if more details are provided on that aspect.
- Raghav Bahl:** Whatever is required to be disclosed statutorily and otherwise shall be disclosed at appropriate times.
- Ruchit Mehta:** But in terms of that the transaction may be in the private domain, but basic math, even if you have a 5% coupon or a debenture of 4000 crores, the 200 crores that you as a individual shareholder or your group of companies has to pay to Reliance Industries and if you are a 51% holder in all the listed assets that means effectively you would need a 400 crores sort of dividend payout if you were to fund that through dividends. Now we do not see that kind of cash flows accruing at the Network18 or TV18 group level. So which is why I think the concerns are there in terms of the transaction as to how it is structured and whether there is a potential for any change of ownership or clauses that may change ownership or control of the assets of the listed companies.

- Raghav Bahl:** I understand that. I am saying that these are disclosures that have to be made and will be made at the correct point in time. The core of the transaction is that there is no change in control and there is no intention to change control. At the appropriate time, all the instrument details that you are asking for as and when required under law will be completely disclosed.
- Ruchit Mehta:** Is there any possibility in the foreseeable or whatever future, there could be a complete change of ownership in management control of TV18 and Network18?
- Raghav Bahl:** That is absolutely not envisaged.
- Ruchit Mehta:** Not envisaged, but is that possible, financially possible? Does the deal term include something that involves loss of management control?
- Raghav Bahl:** No, I am telling you the deal does not envisage change of control.
- Ruchit Mehta:** And finally who owns the brand because you will have 24-25% of the Telugu GECs and they would be run separately. So who owns the Eenadu brand and what are the terms of the other sharing of brands, whereas the part of the channels are not controlled, part are controlled, etc.
- Raghav Bahl:** I think it is premature to disclose such granular details of a transaction which has not been consummated yet. It has been in-principle approved by the board. It is inappropriate and legally incorrect to get into those details because we are bound by a confidentiality clause. Once the transaction is consummated and the brand rights are negotiated in the final transaction documents, I think that is the point at which these things need to be disclosed.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Revolution Management. Please go ahead.
- Sandeep Shah:** The question so far asked are more on what the future is going to be though the question that I am going to ask is more concerned with the past as we have invested in the companies since long, since the right issue. The right issue was at around Rs. 30-50 and since then there is a lot of value being eroded. What my request on this call is going to be is that the residual part of the shares the open offer or the buyback that might happen, can you give any clarity on the rate that we might get on the residual part of the share?

- Raghav Bahl:** Which residual part of the share?
- Sandeep Shah:** The Infomedia, other businesses, the scheme of demerger that was announced.
- Raghav Bahl:** I think that is a separate issue. I don't think I would have readily the information that you are asking for. That needs to be asked on another forum. I don't think we can discuss Infomedia issues on this call.
- Moderator:** Thank you. We will take a final question from the line of Abneesh Roy from Edelweiss Capital. Please go ahead.
- Abneesh Roy:** Sir just one on the advertising side, how do you see the synergy panning out because normally package sales happen on the genre wise, channel wise, any step up you see in that?
- Haresh Chawla:** Yes, we do see some synergies coming from advertising sales. Network18 has a much better national footprint in terms of the advertising sales force, about 300 plus people. Besides many of these regional markets currently while they are showing a very high growth rate, their current inventory utilization levels are rather low. Again as I said they are growing pretty rapidly, but in absolute terms they are rather low. So the scope for improvement and the scope for bringing in national and regional packages together is really high currently. So we cannot give you more details about individual channels of Eenadu and how they have synergy with the national channels of TV18, but these are the two basic tenets - national footprint of Network18 channels and the low inventory utilization and the higher dependence on local advertising of the current regional channels that we are talking about.
- Abneesh Roy:** Sir you explained on the GECs 50% stake logic behind that being Viacom. Could you explain the Telugu channels why we are limiting it to 24.5% stake as of now? Is it because the seller is selling only this much, is that the reason?
- Raghav Bahl:** Post all considerations, it has been decided that 51% control over the Telugu assets will reside with the current operator and owner and since only 49% is available, we are buying that. The logic behind the 50% that is applicable to the

GEC channels has been explained earlier. We are buying half of it and the other half is option to us and we will invite Viacom to do the due diligence.

Abneesh Roy: And lastly on the merger blooms any insight you can share in terms of the employees, CEO level, when do we see things move apart from.....

Raghav Bahl: I think as I said we have to go through few very critical statutory processes. It is early days to start talking about operational granularity. There are statutory processes which need to be complied with before that.

Moderator: Thank you. I would now like to hand the floor over to Mr. Raghav Bahl for closing comments.

Raghav Bahl: Thank you very much. Just to repeat that we believe it is a very important and significant landmark transaction for Network18 and TV18 as it propels us on to another level. We thank you for coming on the call and we will be happy to provide any further information that we can at this stage.

Moderator: Thank you. On behalf of Network18 that concludes this conference.

Note – This transcript has been edited to ensure readability without any material loss in accuracy.