



Q1 FY2015 EARNINGS CONFERENCE CALL

July 18, 2014; 1530 HRS IST

Moderator

Ladies and gentlemen, good day and welcome to the Zee Entertainment Enterprise Q4 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

Thank you Inba. 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 FIRST quarter of fiscal 2015, and to share with you the outlook of the management of Zee Entertainment Enterprises Ltd. We do hope that you have had the chance to go through the earnings release and the results, both of which have been uploaded on our corporate website: www.zeetelevision.com.

To discuss the results and performance, joining me today is Mr. Punit Goenka, Managing Director and CEO of ZEE, along with members of the senior management team of the company including Mr. Mihir Modi, Chief Finance & Strategy Officer and Mr. Atul Das. Mr. Das is taking up additional responsibilities in the distribution business and Mr. Modi is the person who will take over the responsibilities of the investor communications from now on.

We will start with a brief statement from Mr. Goenka on the first quarter performance and will then open the discussion for questions and answers. I would like to remind everybody that anything we say during this call that



refers to our outlook for the future is a forward looking statement and must be taken in the context of the risks that we face.

We would also like to add that this call is purely for our analysts and investors and if there are any media companies on the call, we request them to please disconnect. I now request Mr. Goenka to address the audience.

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 first quarter of fiscal 2015. Let's begin with details of some of the key developments of the quarter focusing on the Financial Performance.

ZEE's advertising revenues during the quarter were Rs 6.22 billion, recording a growth of 17.4% yoy. Once again we have outperformed the television industry advertising revenue growth. Advertising growth on the non-sports part of the business is even better.

The total subscription revenues for the quarter were Rs 4.43 billion. During the current quarter, domestic subscription revenues stood at Rs 3.24 billion, while international subscription revenues were Rs 1.19 billion. Though the reported domestic subscription revenue reflects a growth of 2.2%, like-to-like growth is in high single digits. The difference is due to accounting changes necessitated by change in TRAI's content aggregator regulation. International subscription revenues have grown by 10.8% yoy in rupee terms. International growth is, of course, aided by rupee depreciation.

On the cost front, programming & operating cost in the quarter was Rs 4.34 billion recording an increase of 5.7% yoy. Total costs incurred by the Company in this quarter were Rs 7.77 billion, an increase of 13.9% over the corresponding period last fiscal. I would like to highlight that the launch of 'Zindagi' during the quarter had an impact on the overall cost structures.

During the quarter, the Company's operating profit (EBITDA) was Rs 3.09 billion. The operating (EBITDA) margin for the quarter was 28.5%. Profit After Tax (PAT) for the quarter stood at Rs 2.10 billion. PAT margin for the quarter stood at 19.3%.

As of June 30, 2014, the Company has a gross debt of Rs 13 million and Cash & Cash Equivalents of Rs 14.4 Billion.





I would now like to cover the Business Performance.

During the quarter, Zee TV recorded a relative share of 16.9% among the top 6 Hindi General Entertainment Channels. The market share was better in the Prime Time band, where Zee TV recorded a relative share of 20%. Zee TV was the No.2 channel in the genre during the quarter. The channel delivered a weekly average of 17 shows among top 100 shows during the quarter led by the top rated shows like Jodha Akbar, Do Dil Bandhe Ek Dori Se and Sapne Suhane Ladakpan Ke. New shows launched during the quarter were Kumkum Bhagya and Gangs of Haseepur. New launches planned in the forthcoming quarter include India's Best Cine Stars Ki Khoj, Jamai Raja and Neeli Chhatri Wale amongst others.

Zee Cinema is the leading channel in its genre with a relative share of 18.8%. The key properties of the channel during the quarter were Double Mazaa, Shanivaar Ki Raat Sitaron Ke Saath and Lage Raho. This quarter saw the premiere of Mahabharata (Animation movie).

During the quarter, Zee Marathi extended its lead as No.1 channel in its genre. The channel recorded a relative share of 51.6% amongst top 3 Marathi GECs. The channel delivered a weekly average of 7 shows among top 10 shows led by top fiction shows like Honar Soon Me Hya Gharchi and Juluni Yeti Reshim Gathi and non-fiction shows such as Foo Bai Foo.

Zee Bangla is one of the leading players in the Bangla GEC genre. During the quarter, it recorded a relative share of 36.7%. The channel leads the non-fiction genre with 81% market share. The channel is the slot leader in 6 out of 14 prime time bands during the quarter led by the top rated fiction shows like Raage Anuraage and Rashi and top rated non-fiction shows like Sa Re Ga Ma Pa and Tumi Je Amar.

During the quarter, Zee Telugu recorded a relative channel share of 19.6%. The top rated shows on the channel during the quarter were Pasupu Kumkuma, One and Family Circus.

Zee Kannada recorded a relative share of 12.4% during the quarter. Top rated fiction shows on the channel were Bharathi and Radha Kalyana.





Zee Tamil recorded a relative share of 5.7% during the quarter, led by shows like Solluvathellam Unmai and Y This Kolavery.

Zee Khana Khazana, the premium lifestyle channel from ZEE, has climbed up the ratings chart and is now established as No. 1 lifestyle channel of the Country. The channel delivered a weekly average of 5 shows among top 10 shows during the quarter led by the top performing properties like Kifayati Kitchen, Bacha Party, and Ab Har Koi Chef.

The key properties on our Sports channels bouquet during the quarter included telecast of West Indies Vs New Zealand cricket series, Wrestlemania and UEFA Europa League. The forthcoming quarter would see the telecast of events like West Indies Vs New Zealand cricket series, Sri Lanka Vs South Africa cricket series, Sri Lanka Vs Pakistan cricket series, Commonwealth Games, Asian Games, US Open and Tour De France. The sports business revenues in the first quarter of FY2015 were Rs 976 million, while costs incurred in this quarter were Rs 964 million.

ZEE's International operations constitute a significant part of the Company's revenues. The highlights of the International Operations during the quarter were as follows:

- In Americas, Zee TV continued to garner the highest viewership share among South Asian networks.
- In Europe, Zee TV was launched on Tricolor platform, thereby, increasing its subscriber base.
- Zee TV and Zee Cinema continued to be the Number 1 South Asian channels in their respective genres in the UAE.
- Zee Aflam continued its successful run as the Number 3 movie channel in All Arabs target audience in KSA.
- In APAC, the Company launched a new channel called Zee Nung, which
 is a 24x7 Bollywood movie channel completely dubbed and localized for
 the local Thai audience.

The quarter gone by has been a satisfactory quarter for us. The network share is up as compared to the corresponding quarter last fiscal, which has translated into a strong performance on the advertising front, outpacing the industry growth rate yet again. On the subscription front, pursuant to the change in content aggregator regulation, we have discontinued the





distribution of our channels through the joint venture MediaPro and now the channels are distributed by Taj Television India Pvt. Ltd., a wholly owned subsidiary of ZEE. The new channel launched during the quarter, Zindagi, has received encouraging response from audiences, advertisers as well as distribution partners. As a result of our consistent performance, we continue to maintain healthy EBITDA margins on our businesses. In fact, the EBITDA margins on our existing businesses have expanded, even as we continue to invest in new businesses.

The rollout of digitization, even though with some delays, is a positive development for the industry and will provide new growth opportunities throughout the television media value chain. Digitization will lead to fragmentation of audiences as consumers will have more options. At ZEE, we believe this presents a huge opportunity to create new products for specific segments. Advertising spends on television are expected to grow in healthy double digits over next many years. Rollout of BARC and change in advertising currency from CPRP to CPT is expected to give it a positive fillip. Development and effective monetization of newer avenues to reach the consumer is one of our focus areas. Creation and acquisition of excellent quality content remains core to our business and we continue to channelize investments to strengthen this core.

With this, I thank you again for joining us and would now like to open the floor for the questions and answers session.

Moderator

Thank you very much sir. Ladies & gentlemen, we will now begin the question and answer session. Our first question is from Nitin Mohta of Macquarie, please go ahead.

Nitin Mohta

I have two questions. First of all, on the strong margin performance, given that we have launched Zindagi towards the end of June what kind of a profitability impact do we see panning out into the coming quarters? And the related question was we have seen obviously an uptake on the core GEC business this quarter around, so just trying to understand how sustainable is that?

Atul Das

On the Zindagi channel obviously it is our first quarter and the channel was launched almost at the end of the quarter. There are costs which are attached that channel in this quarter and therefore quantum of losses on





account of new businesses has gone up in this quarter. As we go along into the next entire year we will see cost base increasing, which is in line with what we have communicated earlier also. I am sure you have seen the programming content of Zindagi. It has been very well liked across the segment and we definitely hope that this is a very-very important addition to our portfolio and will give us good returns in the future.

Nitin Mohta

Sure, the second question which I had was on subscription revenue front. I did understand that there is some change given that it is on a lot of like to like basis. If I understood this correctly is it that you no longer have the trading revenues or the small margin revenue that would have had earlier because of Star's presence? Is that the difference? Just wanted to make sure what exactly is the change now.

Atul Das

No, there were certain revenues which were recorded as top-line revenues with us, based on the earlier regulatory environment. Now even the changes that have happened where our partner channels have to be treated differently because of that some other revenues which is accrue to us from the partner channels which used to be entered in the top line are no longer now reflected in the top line and similarly costs are also not reflected in the cost structure So from an operating profit perspective there is no impact but when we report the revenues in the cost those are lower in this quarter compared to the first quarter of last year. To that extent they are not like to like and therefore what would be right to look at is the like to like revenue growth on domestic subscription revenues has been more like high single digits.

Nitin Mohta

And just a clarification here, when you say partner channels, does that mean the Star bouquet of channels or the Zee channels itself?

Atul Das

We will not like to get into specifics but it largely means those channels which continue in our portfolio.

Moderator

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

Abneesh Roy

My first question is on Zindagi, you said the initial response has been encouraging. So sir if you could share some viewership data on that. It is been only three weeks but if some viewership data can be shared that will





be good. Sir if you see currently Star Plus and LifeOK's market share in the Hindi GEC fresh content channels is around 40-42%. We are broadly at 17-18%. So is Zindagi the answer for plugging that gap or we would need more? And lastly on Zindagi again, sir if you see the margin dip has been attributed to the launch cost. The issue is Zindagi's programming format if you see is small number of shows will have a finite timeline. So would you need to keep spending in terms of marketing spends for whenever if a new show comes. So is the marketing spend on the Zindagi kind of channel much higher compared to a Zee TV kind of a channel?

Punit Goenka

Firstly on the Zindagi part the ratings data has not been published yet by the rating agency. They have informed us that they are revalidating the data and it will be published from next week onwards. So currently the response that we have received from the viewers is largely on direct basis and how we have gone out and conducted our own research. That is one. Second question of yours was Star Plus and Like OK, they have a share of over 40%. While Zindagi as a channel has been launched to create a new segment of viewers who we believe do not really consume television today. It is a premium mass channel that we are creating. To compete with the consolidated ratings of, I hope Zindagi can do that but we have plans for other products also that we will be bringing end of this year or early next year.

Abneesh Roy

And sir the launch expense?

Punit Goenka

We would not like to quantify that Abneesh but from the marketing perspective it is a full-fledged GEC launch and I would just say that the marketing budgets will be in line with any GECs that come into the market, whether it is Zee TV or any other GEC.

Abneesh Roy

Sir one follow up on the second part wherein you mentioned you are targeting the premium audience which does not watch TV. So there my question is the content is good. So are we not going aggressive in terms of say the availability of the channel, say for example are we putting investments into the carriage enough or are we largely restricting ourselves to the digital part of the distribution or are we going beyond that?





Punit Goenka

No Abneesh we have 100% distribution, in fact the channel on the day of the launch was available in 95% of the homes and by now it is available in 100% of the homes in the country.

Abneesh Roy

Sir my last question is on the other new launches, slightly older new launches for example, all your HD channels then Anmol and Khana Khazana which you spoke in the opening remarks, have all of these met your expectations or some of them have not and how many of these are already profitable on their own and when do you see these channels as a basket contributing to your revenue growth and profit growth? When do you see that happening?

Punit Goenka

Every channel has its own life cycle. I can tell you that almost all of them have lived up to my expectations. On the revenue part I do not know Atul, how do you want to tackle it?

Atul Das

It will be difficult to quantify Abneesh, so while most of the new content that we are launching if you see in the last one year, the channels that we have launched - & pictures Zee Anmol, Zee Bangla Cinema, have done extremely well and even a couple of channels that we had launched earlier like Zee Khana Khazana has become the #1 channel in the lifestyle genre which obviously drives good revenues. But there will be a gestation period of 2 to 3 years. In some channels it could be 2 years, some channels it could be longer. So we will have to wait and watch and we really cannot give out revenue predictions on those.

Abneesh Roy

One follow-up on this and this is the last one. This gestation period is for profitability or is it related to my question wherein I asked on is it significant part of your revenues already?

Atul Das

The gestation is on account of profitability. There will be revenues starting but the cost will be higher.

Punit Goenka

Revenues have already started Abneesh and they do contribute towards the growth of the company already.

Moderator

Thank you. Our next question is from Vikash Mantri of ICICI Securities, please go ahead.





Vikash Mantri

My question is on the subscription revenue which you said has been adjusted. Is this adjustment going to happen every quarter for the next three quarters?

Atul Das

Yes Vikash as I said it is pursuant to the change in regulatory environment and the way accounting has to be done. So starting this quarter this change has happened and it will remain this way now for the next three quarters and in future.

Vikash Mantri

Sir if I were to look at it you mentioned that had it not been this it would have been a high single digit, so my estimate is that there is a close to 20 crore impact this quarter because of this accounting change. Now a similar number would have gone away from SG&A cost given that it is EBITDA neutral. So the thesis I am here saying is your cost on a like to like basis that way has gone up from 175 crores to 250 crores if I add to 20 crores. So can you help us explain that and if I were to look at the line items of the admin and selling there is only one item which is this marketing distribution promotion expenses which could have accounted for this accounting change. Is that right? Which was 185 crores for the full year last year, so that would go down by something like 80 crores this year because of this accounting change?

Atul Das

The change is in the programming and operating cost so from a revenue perspective it is captured in the subscription revenue. From the cost perspective it is captured in the operating and programming cost line item.

Moderator

Thank you. Our next question is from Rohit Dokania of IDFC Securities, please go ahead.

Rohit Dokania

Just two questions from my side. One is if you could throw some light in terms of these sports losses that we are expecting for this full year because we have again given a positive number as far as this quarter is concerned. If I am not wrong in the last earnings call you had guided for some sort of a similar number to FY14 in terms of losses. Do you still maintain that?

Atul Das

Yes, our outlook on sports losses continues to be the same. Of course our first quarter numbers have been a profitable number, marginally profitable though but our numbers for the full year remain same as we had spoken earlier.





Rohit Dokania

So Atul a small follow up on that, I mean what would be leading it because I mean we do not have any India cricket in this particular fiscal. Will it be to some sort contingent to our renewal of the WWE rights?

Atul Das

Yeah, we cannot get into specifics but while there are no big India cricket matches but there are significant number of sports properties this year which are non-cricket. I mean there are cricket properties also including Sri Lanka-Pakistan, Sri Lanka-West Indies and those kind of properties and plus we have several properties coming up with the football, and tennis and athletics and other genres. So basis our estimate on cost and revenues we have given an outlook and we would like to stick to that.

Rohit Dokania

And the last question would be on a like to like basis, our domestic subscription revenue this quarter would have grown at high single digit. So is that a fair number for the full outlook of the year or there can be an improvement on that particular piece?

Punit Goenka

There will be an improvement on that, definitely Rohit but as I had said earlier also that it will not be like the past numbers because we have seen some delays in Phase-3 which are already being talked about and it will take some time to correct because once the Media Pro joint venture was dismantled it will take some time for us to get out contracts back into place.

Rohit Dokania

So sir just my last follow up question on this, if I am not wrong the Taj Television we will be handling it from Q2 onwards or it has already started from 1st April?

Punit Goenka

It has started from 1st April already.

Moderator

Thank you. Our next question is from Kunal Vora of BNP Paribas, please go ahead.

Kunal Vora

Did the elections have any impact on the quarters adding to revenue and also have you seen any change in sentiment post the elections, any particular sectors in which you are seeing an increased confidence? That is question #1. Second is on digitization you mentioned there are some delays. What is your sense on the timelines? Anything which you can talk about in terms of when do you expect Phase-III to go through?





Atul Das

On the advertising revenue there was a positive impact because of political advertising. Though the quantum of benefit was I would say much more to the news group of channels which is not captured under Zee Entertainment because the portfolio is focused on entertainment but there was a positive impact. In terms of the sectors which have done well during the first quarter included telecoms, automobiles, political advertising, retail and eCommerce and some of the sectors which did not do as well and in fact saw a negative growth over last year first quarter included the luxury goods segment, DTH, education, the banking and financial services sector. So those were the nuances on growth. Your second question was relating to the digitization impact or the timelines and digitization. It is very difficult today to give out a timeline. We are definitely hopeful that the government and the industry will participate and try to do along the timelines. But it would be fair to assume that there would be some delays.

Moderator

Thank you. Our next question is from Balwinder Singh of Prabhudas Lilladher. Please go ahead.

Balwinder Singh

I wanted to understand how does one look at margins going ahead say for the remainder of the year.

Punit Goenka

There will be some impacts on the margins for the remainder of the year as we had said in the beginning of the year itself but may be the dip will not be as high as what we had talked about.

Balwinder Singh

And is there any new further channel launches planned for this year? And if so, if you can tell in which genre, if you can share that information?

Punit Goenka

Plans are being worked upon right now Balwinder. We do not have exact timelines to share publicly yet.

Balwinder Singh

And why is the tax rate high at 35-36% for the quarter?

Mihir Modi

In Q1 we maintain a conservative tax. A couple of points is relating to the conservative tax rate that we used. For the full year we will maintain 33%.

Balwinder Singh

And is there no benefit of DMCL in the tax rate?





Mihir Modi

The DMCL approval from the court has not come in yet. We will factor that as and when regulatory approvals come.

Balwinder Singh

Lastly on the domestic subscription side, I understand that the like-to-like growth is in high single digits, but given the fact that digitization continues to be delayed as the gross billing continues to be delayed in Phase-1 and 2. What is your outlook say for FY15 and FY16 on the domestic subscription side?

Atul Das

In fact Punit just answered this question saying that we are definitely looking forward to a good growth but there are some external factors which is digitization which really cannot be predicted right now. But we are very positive on the growth.

Moderator

Thank you. Our next question is from Lalit Kumar of Nomura Securities. Please go ahead.

Lalit Kumar

Most of my questions have been answered. Just one question from my side. Sir of what I understand is MediaPro has not been dissolved and we have already started negotiating our contract with MSOs and DTH companies' post-MediaPro. So just wanted to get your sense for contracts which have been renegotiated, how our subscription revenue look for those contract versus pre MediaPro? That will be helpful.

Atul Das

We cannot talk about specific contracts Lalit. I think previous question was on an overall perspective that we believe are positive. Quantification is difficult this year because several changes have happened but we are very positive on the growth outlook.

Moderator

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

Rajiv Sharma

Couple of questions from my side. First is, Atul, you mentioned last quarter that the growth in subscription revenues in this fiscal will be muted and you were not very optimistic but I understand that you have turned more positive on this revenue segment. So what has really changed and why are you positive on growth in subscription revenues and second is your quarter-on-quarter revenue growth in advertising is 7%. What in your view has the industry grown at? And the third question is we talked about increasing the





programming hours across the board in Hindi GEC and many other regional properties. So is that done and is that reflected in our cost?

Atul Das

I will take the answers in a different sequence. Let me talk about the advertising revenues first. From a YoY perspective we have grown at 17.4% on an overall consolidated advertising revenue basis and that is higher than the industry growth, which in our estimate is about 13%. Also we must keep in mind that last year versus this year on a YoY basis we had lesser number of sports properties. So a more meaningful comparison in the non-sports advertising revenue growth which has been actually upwards of 20% again. So our advertising revenue growth has been pretty positive relative to the industry as well as basis on what we had expected earlier. Coming to your second question on subscription -

Rajiv Sharma

Atul, sorry to interrupt, this was more on this quarter, not YoY so how do you see you versus industry this quarter?

Atul Das

We have done better. That is what I said. On a YoY we can compare. On a QoQ basis, advertising cannot be compared from fourth quarter to first quarter because those are cyclical variations. So you really cannot compare how we have moved from fourth quarter to first quarter which is the entire industry has moved that way. The only way to compare it is on a YoY basis rightfully. And sorry I forgot the last question.

Rajiv Sharma

Subscription, you are more positive now versus the last call.

Atul Das

I probably put it in the right context. When we say that we are positive which means that we are positive about a growth happening and the growth could be in single digits and which still remains more muted than last year. But depending on many external factors which are largely to do with the pace of digitization we will recalibrate those numbers as we go forward. There was another question you had asked Rajiv.

Punit Goenka

Yeah, I can take that Atul. While the regional channels have already expanded most of the additional hours as they wanted to, we are still working on adding further number of hours to our Hindi GEC as well as to our Tamil GEC. So these two are still in the process of adding hours, whereas others have, kind of, completed their addition factors as reflected in the first quarter numbers.





Rajiv Sharma

Just on that subscription thing, is there anything incremental in this quarter which is making you more positive or you still maintain that it will be single digit subscription revenue growth?

Atul Das

Nothing incremental in this quarter.

Moderator

Thank you. Our next question is from Sanjay Chawla of JM Financials. Please go ahead.

Sanjay Chawla

My first question is with regard to the launch of Zindagi. You incurred some marketing publicity expense this quarter, now without getting into the numbers my question is are we going to see a decline in those expenses in the second quarter or would they remain at the same level given that the channel is still new? Second question is just wanted to know your thoughts on this proposed new Hindi GEC from Sony which is being talked about?

Punit Goenka

On the first one as I said earlier that Zindagi will be in line with any other GEC on its marketing expenses or its placement cost, etc. While there is one burst of marketing which takes place while the channel is launched, to that effect it may not be as high in the next quarter but definitely will be in line with any other GECs. What was your second question?

Sanjay Chawla

There is this talk about some new Hindi GEC launch by Sony, so just wanted to know your thoughts I mean in terms of how you look at the market space and whether this trend of fragmenting the space further would continue?

Punit Goenka

I do expect that trend to continue because in fact fragmentation is the reality today for us. From a world where you could receive only 70-80 channels we have already moved to 200 plus. So fragmentation will continue to happen but also if you track the historical data in terms of how the television viewership has moved, with every new successful launch it has only grown the market. It is not that it just leads into the incumbents. It will actually grow the market further.

Moderator

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





Srinivas Seshadri

Just a couple of questions. You had mentioned that the underlying ad growth probably for the industry was around 13%, which seems to be uptick from the commentary which has been more around 10-11% or so. Wanted to understand whether you are seeing the environment pick up and are you expecting the ad spends for the industry itself to kind of take up more towards 15-16% mark as the year goes by. That is question #1. And secondly on the direct cost on a reported basis obviously it has gone up only 5-6%. But I suppose if one adjusts for the distribution accounting change which you mentioned it is about 11% and there would be more again variations in terms of the sports costs, etc. So wanted to understand what is the underlying non-sports programming cost investments you are making YoY increase and what is the outlook on that based on whatever you are planning?

Atul Das

On the advertising revenue front Srinivas yes, there has been a positive uptick this quarter. But I would guess that most of it is related to election advertising uptick. So that is an update on this quarter but definitely with a stable government and the outlook for economy improving one is definitely hopeful that things will turn positive. But I do not think there is concrete evidence immediately to give you anything out there but I think the advertising industry as a whole is a little more positive today than it was earlier. As far as the costs are concerned I think your analysis is right that if you adjust for the subscription changes the costs have grown higher and we have always maintained in the past that our costs will go up because of the new launches. The quantum can vary depending on the timing of the launches and how we see the environment mapping out.

Srinivas Seshadri

Sure Atul, if I can just follow up on the add bit. Any early indicators in terms of some of the early festive season like Ganesh Chaturthi, etc., which are getting at least on some of the channels like Marathi might be a good lead indicator on how advertising is shaping up ahead of the festive season. So anything you can share on that front?

Atul Das

Not really, the festive season has not yet started. So in that sense there is no specific indicator that we have.

Moderator

Thank you. Our next question is from Jay Doshi of Kotak. Please go ahead.





Jay Doshi I want to understand if there is an opportunity of telecasting Pakistani

movies or movies from Middle East on Zindagi or may be an opportunity to start a new channel? Zindagi content is very impressive sir. Just wondering

if movies are also equally interesting.

Punit Goenka Thank you Jay for that. Unfortunately because movies are governed through

the CBFC Certificate route, we cannot officially show those movies here until they are certified by the Censor Board. So there are some restrictions there on that so we are unable to do that as of now until the rules are eased

out.

Jay Doshi Are we planning to increase the programming hours on Zindagi at some

point of time?

Punit Goenka Yes we will be increasing the programming hours at some point of time.

Moderator Thank you. Our next question is from Naval Seth of Emkay Global. Please

go ahead.

Naval Seth My question is on Zee Cinema. Your press release states that relative

market share is at 18.8% versus last quarter of 33.3%. So it is a significant

decline. So any specific reason for the same?

Punit Goenka 33% is not Zee Cinema. That was the movie cluster that we run. We run

currently 5 movie channels in the bouquet and those 5 channels put

together contribute 33% of the viewership.

Naval Seth So which would be how much this quarter then?

Kanwaljeet Singh Last quarter when we said 33% market share, it was Zee Cinema's market

share among the top three Hindi movie channels. In this quarter the number that we have given is the market share out of all the Hindi movie channels which are more than 10 in fact. If we look at overall Hindi movie cluster

market share, that is close to 35%.

Naval Seth So it has not declined?

Kanwaljeet Singh No, no it has not.





Naval Seth My second question pertains to the ad rate hikes. So have you initiated ad

rate hike in Q1 2015?

Punit Goenka All our new deals are with ad rate hike Naval.

Naval Seth So which would be from Q1 2015, right or as and when the renewal

happens I agree that would happen on the higher rate but specifically from

Q1 2015 starting of the new financial year there is an increase in ad rate.

Punit Goenka So I can confirm to you that any deal that have got signed in Q1 would be at

a higher rate.

Naval Seth My third question pertains to the depreciation. I agree because of the

changes in the Companies Act there is an 11 crore impact. So will that

continue in the coming quarters as well?

Mihir Modi Yes, that will continue in the coming quarters because that is the change

that is applicable with effect from now on.

Moderator Thank you. Our next question is from Amit Kumar of Espirito Santo

Securities. Please go ahead.

Amit Kumar Just a couple of questions. To begin with I just wanted to understand what

is your sense of the revenue flow-through from Phase-1 and Phase-2 markets? I mean Phase-3 happens when it happens but that is really been the constraint in terms of incremental subscription revenues for you as well.

So just if you could give me a sense on that.

Atul Das On the Phase-1 and 2, we had explained that in detail even earlier that the

Phase-1 there is some opportunity for growth which we will see during this year. Phase-2 already we have reached a certain level of realization revenues. And therefore we do not anticipate much of growth in Phase-2 coming forward. The bulk of the growth in the coming year will come from digitization of Phase-3 and Phase-4 and from increasing ARPUs in the market in Phase-1 and Phase-2 as well. So right now for us because we do not influence ARPUs directly those are determined by the operators and their decision of pricing it to the consumers. So as of now one is anticipating that when we roll out Phase-3 and Phase-4 of digitization we will see the





second big revenue growth and which we are definitely hoping that it will come into next fiscal if not this year.

Amit Kumar

Atul, that is what I was trying to understand that what is the situation on the ground like after Phase-1 and Phase-2 of digitization what is your sense? I mean have ARPUs in the cable systems moving up?

Atul Das

Operators are putting in boxes in Phase-3 and Phase-4 but I do not think it is happening at a pace that will meet the deadline. So that is where it is. It is definitely much slower than what would be required to meeting the deadline of Phase-3 and Phase-4 which is December 2014. So we are already at almost end of July and in the next five months it looks difficult to say that it will be completed so that is where we are saying that it could get pushed back.

Amit Kumar

My second question pertains to, now there has been some bit of clarity in terms of Pakistan Cricket rights as well and how many India series, etc., will be there. So would you be bidding for those rights? Is that on the horizon?

Punit Goenka

Yeah, as and when the Pakistan Cricket Board comes up for bidding we will be participating in that.

Amit Kumar

What kind of competition do you anticipate for those rights because even in the existing sports business I mean the key issue again continues to be more the cost of sports rights, revenue seems to be digitization and with advertising inflation seems to be sorting itself out. But the key issue still continues to be the cost of sports rights. So what kind of competition do you anticipate there?

Punit Goenka

Intense.

Amit Kumar

Just one final small point, this music business. Looking at the other income I do not seem to see any contribution from the music business, which we have just started at the end of last year. I would have presumed a couple of movies from that bouquet would have been released. So how are your booking revenues and costs on that business and was there anything in month end? Would do we anticipate there was some sort of scale up in that business?





Mihir Modi

The current numbers are insignificant and too small to get noticed in the overall numbers that you see. I think as we build up our slate and more releases pile up is when we will see that number showing up in the couple of lines that you are talking about.

Amit Kumar

Just one small follow up on this, can you just tell me how the cost of the music that you acquire would be amortized in the P&L?

Mihir Modi

So we will be amortizing 50% in the year of release and remaining over the next 4 years.

Moderator

Thank you. Our next question is from Riken Gopani of Infina Finance. Please go ahead.

Riken Gopani

Sir first would like to understand that in Phase-1 and Phase-2 cities, how is post digitization environment looking like right now and what percentage would have now reached to a situation where you can think there can be ARPU increases in the near term itself?

Atul Das

See Phase-1 and Phase-2 is near complete except for some parts of Chennai I think all the cities are completely digital so from that perspective we know that 42 cities have been penetrated. And there are operators who have actually started seeding boxes in many areas of Phase-3 and Phase-4. But as I was answering an earlier question, box seeding is not at the pace that will ensure a complete digitization by December. So that is the pace of digitization as far as seeding of boxes is concerned. As far as ARPUs are concerned, yes ARPUs have not really moved up on the cable side. ARPUs have definitely moved up slightly on the DTH side where some of the DTH operators have increased their pricing varying from Rs. 10 to Rs. 30 but on the cable side we have yet to see the implementation of packaging to the full extent which means subscribers are still getting in large parts of DAS areas one single package. The moment packaging gets fully implemented which we are anticipating that it will happen over the next few months, then the ARPU can increase for the consumers because once the packaging is implemented then only consumers will start moving to different packages based on their interest.





Riken Gopani Given that it is now almost 1 year post full implementation should have

actually happened what is stopping that whole process of the packaging

and tearing right now according to you?

Atul Das It is a combination of their technical issues as well as their preparedness

issues. I agree with you that it should have happened by now but it has yet

not happened.

Riken Gopani And sir just one clarification on this revenue on the MediaPro side, you have

this revenue and the expenditure both to the equal amount in the P&L?

Atul Das Yes.

Riken Gopani So just wanted to understand from the perspective that why was it that we

were not making any money on this particular revenue that we were

booking?

Atul Das No, no, it was a pass through revenue booking basis the way arrangements

were earlier. I think this question can be taken offline.

Moderator Thank you. Our next question is from Bijal Shah of IIFL. Please go ahead.

Bijal Shah Congratulations on launch of Zindagi. I think we are seeing impressive

content in Hindi genre after a very long time. My question is from your commentary on the margin it seems that at the beginning of the year were talking about launching two national channels. So from your commentary it

looks like that you are pushing the launch of second national channel into

FY16. Is that correct?

Mihir Modi We are not in a position to comment on the timing of the launch at this

stage. We will share with you as soon as we are ready to be able to share

that.

Bijal Shah And second question is on Zee Zindagi. Is it possible for our competitor to

also to go to Pakistan and procure such content or almost large part of

library we have already procured?

Mihir Modi Theoretically, yes it is possible but we have obviously blocked a large part of

the content plus because we moved first we had this option of selecting





what we consider the best in our view and therefore it is that much more difficult for competitors to do the same thing.

Bijal Shah

After launch of Zindagi, I mean of course other guys also may be thinking in terms of how to counter this move. So what is the sense you are getting? Is there any other channel launch or change in programming which we can expect in some time?

Mihir Modi

I think it is too early to notice any difference yet. Also this is a category we believe is new and the audiences we are targeting are audiences as Punit mentioned earlier who were not the traditional viewers of some of the other GECs. So we need to watch how competitors, if at all they do, react. I am sure there will be some reaction like it is in case of any new entrant coming into the market but not observed anything substantial yet.

Moderator

Ladies & gentlemen we will be taking our last two questions now. Our next question is from Miten Lathia of HDFC Mutual Funds. Please go ahead.

Miten Lathia

On Zindagi, the content that we have currently acquired would it sort of see us through the next 12-month window or do we foresee ourselves actually having to commission fresh content for production to be added on Zindagi?

Atul Das

Obviously, these are specifics that we cannot talk about but when we launched the channel obviously we have consolidated the content in a very significant manner. So I do not think there is a cause for worry there.

Moderator

Thank you. I now hand the floor back to Mr. Kanwaljeet Singh for closing comments. Over to you sir.

Kanwaljeet Singh

Ladies & 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 second quarter of fiscal 2015 or even earlier on a one-on-one basis. Thank you and have a great evening.

Moderator

Thank you. Ladies & gentlemen on behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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

