

Zee Entertainment Enterprises Limited

1Q FY2011 EARNINGS CONFERENCE CALL JULY 21 2010, 1130 HRS IST

Moderator Ladies and gentlemen, good day, this is Rochelle, the Chorus Call conference operator. Welcome to Zee Entertainment Enterprises Limited's Q1 FY2011 results conference call. As a reminder, 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 the conference call, please signal an operator by entering * and then 0 on your touchtone telephones. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rajesh Pal of Zee Entertainment Enterprises Limited. Thank you and over to you Mr. Pal.

Rajesh PalLadies 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 1st quarter
of fiscal 2011 and to share with you the outlook of the management of Zee
Entertainment Enterprises Limited. We do hope that you have had a chance to go
through the earnings release and the result, 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 ZEEL, along with members of the senior management team of the Company, including Mr. Hitesh Vakil, CFO and Mr. Atul Das, President -Corporate Strategy and Business Development.

We will start with a brief statement from Mr. Goenka on the 1st 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. I would now request Mr. Goenka to address the audience.

Punit GoenkaThank you, Rajesh. I would just like to announce that this call is purely for our
analysts and investors and if there are any media companies on the call, I would
request them to please disconnect. I would like to welcome everybody to this call
and appreciate your joining us for the discussion on the results of the 1st quarter of
fiscal 2011.

Let us begin with details of some of the key financials of the quarter which would give a clearer picture of our financial performance. The numbers of the 1st quarter of fiscal 2011 include financial results of regional general entertainment channel



(R-GEC) business acquired from Zee News Limited. The R-GEC business was acquired with effect from 1st January 2010 and hence, the numbers for this quarter are not comparable with those of the corresponding quarter last fiscal.

ZEEL's consolidated revenues for the quarter stood at Rs. 6.77 billion registering a year-on-year growth of 42.2%. Total advertising revenues for the quarter were Rs. 3.77 billion, an increase of 90.4% as compared to the corresponding quarter last fiscal. Advertising revenues showed a robust increase attributable to the higher channel shares across the network, buoyant macroeconomic environment and continued preference of advertisers towards television. Total subscription revenues for the quarter were Rs. 2.61 billion registering an increase of 8.5% over the corresponding quarter last fiscal. During the current quarter domestic subscription revenues stood at Rs. 1.6 billion, while the international subscription revenues were Rs. 1.01 billion. Subscription revenues from domestic DTH were Rs. 710 million. Subscription revenues from international operations remain flat, while subscription revenues from domestic cable increased by 8.7% as compared to the 4th quarter of fiscal 2010.

On the cost front, total expenses incurred in this quarter were Rs. 4.9 billion showing an increase of 36.5% over the corresponding period of last fiscal. The programming and operating cost for the quarter were Rs. 3.05 billion, an increase of 27.5% on year-on-year basis. Employee cost increased by 53.2% over the corresponding period last fiscal. Selling and other expenses were Rs. 1.25 billion indicating an increase of 55.1% on a year-on-year basis. The company's operating profit for the quarter stood at Rs. 1.87 billion, an increase of 59.8% over the corresponding period last fiscal. Operating profit margin stood at 27.6%, an increase of 300 basis points year-on-year. Financial expenses during the quarter were Rs. 50.7 million, down 44.3% year-on-year. Profit before tax stood at Rs. 1.88 billion while profit after tax before exceptional items was Rs. 1.17 billion. The Company earned 291 million as profit on a sale of investments, net of tax, which was shown as extraordinary income. Profit after tax including extraordinary income was Rs. 1.5 billion for the quarter.

I would now like to cover the business performance.

The network's flagship channel Zee TV, continued to dominate the Hindi general entertainment genre delivering average weekly GRPs of 253 and thus attaining a channel share of 20%. The performance was even better in the all-day prime time band where Zee TV averaged 161 GRPs during the quarter. Further, Zee TV remained the numero uno GEC in the week day prime time band for most part of the quarter with an average of 132 GRPs during the quarter. The channel delivered 17 of the top 50 and 29 of the top 100 weekly shows in the quarter.

The network's Hindi movie channel Zee Cinema, averaged 114 GRPs during the quarter in spite of sports events like IPL and the T-20 World Cup happening during the significant part of the quarter 1. A key programming initiative of channel was 'Shanivaar Ki Raat - Amitabh Ke Saath', which was the biggest property across Hindi movie channels and came back after a two year break with Amitabh Bachchan himself hosting his biggest hits.

Zee Café, the network's English entertainment offering had a channel share of 18% and aired popular shows such as all new series, Cougar Town, Grey's Anatomy-6 and Chopping Block. The channel also won a Silver Promax for the after-hours show promo. The key highlights of Zee Studio was the launch of break-free movies at 11 pm, Victory Roads - Sports Biographies and monthly premier of movies nominated for Academy Awards slotted under the property Academy Pick.

Zing, the network's music and lifestyle launched 'In Conversation With' a talk show hosted by Tarana, with the ALA stars on lesser known facts about their lives and careers. ETC, the Bollywood trade channel, saw the launch of ETC Bollywood Business with Komal Nahata.

Key highlights of the quarter for Ten Sports and Zee Sports were West Indies versus South Africa series, Zimbabwe-India-Sri Lanka triangular series, India-Zimbabwe T-20, the UEFA Champions League, Uefa League and the WWE. The sports business revenues during the quarter was Rs. 832 million, while costs incurred in this quarter were 1.18 billion.

Highlights of our international operations included signing of deal between Zee Russia and the Ukraine DTH Operator 'My TV' and Zee Malaysia becoming the number one international channel in terms of reach in Malaysia. Zee Aflam, which is our cinema channel subtitled in Arabic, and Zee Minar continued to dominate in the Middle East region. The Middle East also saw Zee Dubai Mega Mela, which is one of the biggest events of the year.

On the regional channel front, Zee Marathi continues to maintain its leadership position in the Maharashtra market during the quarter delivering 201 weekly GRPs and a staggering 48 of the top 50 shows and 86 of the top 100 shows. Zee Bangla averaged 183 weekly GRPs in the quarter ranking second in its genre. Zee Telegu averaged 325 GRPs during the quarter and continued as the number one channel of its genre on the non-fiction front. Zee Kannada delivered 169 weekly GRPs during the quarter.

Our performance during the quarter is reflective of the robust growth in advertising spends in the country. Despite a heavy sports calendar during the quarter on competing channels, our portfolio has done very well. This clearly delineates the popularity of our programs, which continue to draw loyal audiences. The DTH revenues are driving our subscription growth for the last several quarters. During this quarter, we have seen some growth in domestic cable revenues too. The regional channels have also recorded strong operating results. The outlook for the year remains buoyant and we look forward to a robust growth during the year. With this, I thank you again for joining us. We would like to open up the floor for questions and answers session.

- Rajesh PalLadies and gentlemen we are ready for questions now. I would request all
participants to kindly limit themselves to two questions each so that we can take as
many people on as possible.
- Moderator Thank you very much sir. Ladies and gentlemen, as we begin the question-andanswer session, our first question is from the line of Abneesh Roy of Edelweiss Capital. Please go ahead.
- Abneesh Roy Congratulations Punit, good set of numbers. My only question is on the Star Bangla. Basically, it remains almost twice ahead of us and also Mahua has been launched, and ABP will launch a channel in the next few months. Wanted to understand why there is a two-way gap still with Star Jalsa and seeing the new channels, when do you see the profitability in your Bangla channel?
- Punit Goenka Abneesh, thank you first of all for the kind words. On the Bangla side, athough Star Jalsa still remains far ahead as the leader in the market, but Zee Bangla is definitely a very profitable channel for us even as the number two. If you look at last six to eight weeks trend we have been moving up and we are in the above 220 kind of numbers as we speak in the Bengali market. But given the competition that is coming in, it is always going to be there for us to fight. So apart from that there is very little I can share with you. I cannot actually share a timeline as to when we will regain the leadership, but one is working consistently at it.

Abneesh RoyNo, I am sure of that but do you think a small market like Bengal can support four to
five GECs?

Punit GoenkaWell, it's a question which we asked ourselves even when Hindi GEC got seven
players and you can see the results that the market cannot sustain beyond 2 to 3
players. And similar thing will hold true even in the Bengal market.

Abneesh Roy My second question would be on the main flagship channel Zee TV. How do you think KBC with Amitabh Bachchan back and Star now having a 30% lead over the number two and number three players. So these two angles if you can mention how it does impact Zee TV?



- Punit GoenkaWell KBC is nothing new to our lives, we have seen KBC exist since year 2000 and
last season's ratings if you could pull out and see how they fared.
- Abneesh Roy This time we have Amitabh Bachchan that is the difference.
- Punit Goenka I am talking about last season of Amitabh Bachchan himself. If you take out the ratings and I would not like to comment on program-to-program, but we are not worried and with our strategies clearly in place, we will counter that. Star with its 30% lead as you call it, surely has done very well, but if you look at our prime time compared to Star, we are neck-to-neck or ahead of them in weeks. So with 70-75% revenues following in the prime time, we are comfortable. We are conscious of our spends on the GEC front and we will make sure that the return on investment is critical for us before we start spending money.
- Abneesh Roy And one last question, on the TRAI order related to content cost, there is a lot of noise happening. So lots of investors have this concern whether this is just noise or there could be some impact in terms of content cost from DTH operators being brought down for broadcasters?
- Punit GoenkaWell, I am sure you know who is driving, which cost issue will be driving the pricing
of contents to be brought down and I guess that is a battle we are fighting as
broadcasters and I think collectively IBF is representing to TRAI as to what should be
the method.
- Atul Das Also Abneesh, there has been a lot of noise on the regulatory aspects of pricing. I think the final answer will only come once TRAI actually puts out its recommendations and also the fact remains that each part of the stakeholders within the broadcasting industry has been demanding something. So there was this news item. Also, most of this has been appearing in the media rather than from TRAI. So one does not know exactly what will come on, but there was this issue of carriage fee ban on pricing. I do not think any recommendation which comes on a unilateral aspect favoring only one set of stakeholders, will really be able to go through in a manner which can be implemented. So we will have to see rather than second guess what will come. A better thing would be to wait till the recommendations are announced and see the reactions to it. But there is likelihood of one very positive change. Again we will have to wait for the recommendations to come but there is a thought about sunset date being implemented for digitization, which was originally actually mooted during the initial conditional access bill, which was tabled, which of course never got implemented to its full capacity except for the four cities or part of the four cities. So if that happens I think that could be another layer to the speeding up of the digitization process and picking up the process of transparency in the subscription revenue system.



Abneesh Roy	This is the top 55 cities right, the same one?	
ADHEESH KUY		

- Atul Das Not really top 55 cities, but entire digitization of the country. Again all of these are in the speculators domain as of now, and it is better to discuss once the recommendations are there.
- Abneesh Roy Thanks a lot for taking the questions, I will come back if I have more.

ModeratorThank you, Mr. Roy. Our next question is from the line of Rohit Dokania of B&KSecurities. Please go ahead.

Rohit Dokania Good morning, Punit. Congratulations on the good set of numbers, excluding sports. The first question would be related to sports. 35 Crore of EBITDA losses in this quarter versus 58 crore of EBITDA losses for the full year FY10. How do we see the next nine months panning out if you could throw some light on that?

Punit GoenkaWell, because sports business is event led business, for us or for the industry, it is
difficult to say as to what would be the profitability going forward, but I would
definitely hope and expect that the numbers will improve and the 58 crore losses
that we saw last year, we will well contain within that for the full year this year.

Rohit Dokania Sure, that is helpful. Another question is on the DTH revenues. I believe the DTH sector would have added approximately 2.5 to 3 million subscribers in the 1st quarter of this financial year, but our revenues have grown by just 4% quarter-on-quarter. Is there a disconnect or if you could please explain that?

Punit Goenka Actually, our revenues have grown about 9 to 9.5%. Last quarter, of the 68 point some odd crores, 3 to 3.5 crores were actually arrears that we had got. So the growth is actually on 65 crores and I think it is in line with the industry growth as such.

Rohit Dokania Right and anything that you would like to say for the full year, as to how much we can expect the growth?

Punit GoenkaSee the industry is talking about 10-11 million subs being added and I think we would
grow in proportion to that itself over the base.

Rohit Dokania Okay, and also on the cable front, you have actually grown by about 8.7 to 9% on a quarter-on-quarter basis. So is it because of the resetting of the agreements post the 4th quarter or is it a trend that we are seeing that cable revenues have started looking up?

Punit Goenka

I do not think it is a trend that one can say. I would still say that on a full-year basis



our expectation is that cable will remain flat or low single digit kind of growth.

- Rohit DokaniaOkay fair enough, one last question. Is the current run-rate of other income at about
12 to 13 crore, is it a fair run-rate going forward also, or do we expect it to move
upwards?
- Atul Das It should remain at similar levels, except if we utilize the cash balance for some investment purposes.
- **Rohit Dokania** Sure thanks a lot sir for taking the questions. All the best.
- ModeratorThank you, Mr. Dokania. Our next question is from the line of Abhay Amlekar of KR
Choksey. Please go ahead.
- Abhay Amlekar Hi sir, congrats for the good set of numbers. Sir, if I exclude your sports business revenue, then your advertisement revenue has only grown by 1.3%, can you give some sense on that?
- Punit Goenka I am sorry.
- Atul Das Can you repeat the question please?
- Abhay Amlekar Yeah, if we remove the sports business revenue from the advertisement revenue, then your top line advertisement revenue has registered a quarter-on-quarter growth of 1.3% only?
- Atul Das Actually, sports revenue when we declare, it is a sum of three streams of revenue that we have in sports which is advertising, subscription and others syndication revenues. So you really can't remove only the sports revenue from advertising revenue.

Abhay Amlekar Can we have the breakup of what is the percentage of the syndication, advertisement and others?

Atul Das We would not be able to give out break-ups of individual businesses. Because Sports is an event led business and it is slightly different from a normal performance, we do break it out so you get a sense of how the sports business is done. But I'm sorry, we would not be able to break it down further on advertising and subscription, but it is nothing exceptionally different from the overall trends of the business. We have significant revenue coming from subscription and advertising.

Abhay Amlekar Yeah and the second question is regarding the regional GEC channels what was the advertisement revenue in this coming quarter from the regional GEC channels?

Atul Das For the same reason, we will not be able to break out the regional numbers

	separately. What we have disclosed during our last fiscal is that the total revenues on regional have been around 400 crore and EBITDA margin on that business was 31% for the last fiscal. I think we have done reasonably well on the regional growth as well and as well as on margins. So the trends have remained more or less the same and therefore you can say that nothing exceptional has either de-grown on regional or grown on regional. They have been in line with the trends.
Abhay Amlekar	What is the current cash in debt level?
Atul Das	Today, we have net cash on our balance sheet of 792 crore and gross debt is at 88 crore.
Abhay Amlekar	Thank you.
Moderator	Thank you. Our next question is from the line of Ritesh Poladia of Almondz Global. Please go ahead.
Ritesh Poladia	Thank you sir. The total Opex is about 4.9 billion and if I exclude sports, actually the main business Opex is down by 8.5% sequentially. Would this be sustainable in terms of such a low Opex?
Punit Goenka	No, the way to look at it Ritesh is that on a full-year basis without sports, our costs should be marginally increasing at the rate of about 12 to 15%.
Ritesh Poladia	Okay. That's absolutely perfect. The second is, if DTH has added about 2.5 million subscribers, is there any fall on the revenue per subscriber in DTH?
Atul Das	No, Ritesh. Actually if you look at the numbers which we have given out, it gives an indicated yield of our businesses. Last quarter, we had 21 million DTH subscribers in the industry and zee was getting a paying sub-base of almost 11 million subscribers, which were giving us a yield of almost Rs. 20. So this year, after the industry having 2.5 million subscribers, roughly, figures have reached 23.5 close to 24 million subscribers in the industry and we are getting paid for 12 million subscribers roughly. Our yields have more or less remained the same and the DTH industry growth continues to filter into our businesses in a very logical and strong manner. Only one thing which we keep talking about is to keep in mind that for every new subscriber added in the industry in our country, not every subscriber would subscribe to our Hindi package and there is a percentage that we get out of the new subscription base.
Ritesh Poladia	Okay and another small question, our consolidated tax provision is lower than standalone. How do we read this?

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Hitesh Vakil	Consolidated provision is lower at 32% and the standalone portion is 34%.
Ritesh Poladia	Would there be accumulated losses from the subsidiary companies?
Hitesh Vakil	Yeah.
Ritesh Poladia	Okay and final, our fully diluted equity would be 48.9 crore after ETC Merger or numbers would be different?
Hitesh Vakil	48.9, yeah.
Ritesh Poladia	Thank you very much sir. That is all from my side.
Moderator	Thank you Mr. Poladia. Our next question is from the line of Sameer Naringrekar of BNP Paribas. Please go ahead.
Sameer Naringrekar	Good morning, a couple of questions, sir. First one is in terms of the utilization of ad inventory. Are we already at the peak levels which we had seen in 2008 or is there some scope for improvement in the utilization? And the second one is pretty much in terms of use of cash - where do you plan to deploy it, would it be a new channel? I think I saw some media release about launch of a new cricket channel by Zee? And are you planning to get back into the movie business?
Punit Goenka	Okay, Sameer to your first question, advertising utilization normally follows a similar trend year-on-year. Last year, there was a little aberration so let us not compare with that. We generally enter the year in April till June at about 70% odd fill levels and by the time we hit season the reach 95-96% fill levels and starting January again it starts to taper off. So that is the kind of utilization level that one is working on. Your second question on use of cash - we are preserving the cash to look at potential M&A opportunities that may crop up in the near future, though nothing substantial is on the cards or anything that we are looking at actively as of now. The channel that you have mentioned would not require too much investment from the Company's side and if we do not find suitable use for the cash over a period of time then we will be happy to share it back with our shareholders. And your last question was what sorry?
Sameer Naringrekar	It was pretty much about whether you would be reconsidering getting into the movie business?
Punit Goenka	No, we are not considering getting back into the movie business in the immediate future.
Sameer Naringrekar	Alright, thank you so much, good luck and thank you.



ModeratorThank you Mr. Naringrekar. Our next question is from the line of Swati Nangalia of
IDFC. Please go ahead.

- Nikhil Vora Nikhil Vora here, one follow-up on the DTH question that you just answered. I thought earlier we have been talking about the fact that we do get paid on a per subscriber basis. Would it be fair to presume that that would be the strategy as you move forward also or we would be more comfortable with a lump sum deal with most of the MSOs or the DTH providers, given the fact the digitization mandate may happen in the next month or so?
- Atul Das Yeah Nikhil, Atul here. On the facts of DTH versus cable operator, yes, cable business remains a lump sum negotiation still. As far as DTH is concerned, so far we have a per subscription model with most DTH operators except for one, which we have discussed several times earlier also, which is Dish TV. So our philosophy that one set of arrangement or a contract is not necessarily better than the other. Whatever works best for the company in getting the maximum amount of revenue on one side as also the best amount of coverage and reach, so it is the combination of these two factors based on which we take a decision of going on a per subscription basis or on a fixed fee model. As of now we are largely towards the per subscription model except for Dish TV. We may choose to go with the fixed fee basis with some other operator, but as I said, a fixed fee doesn't mean a loss to the business or any capping of revenue, it's just a matter of deciding that we want to be fixed for a period of time which could be one year or two years.

Nikhil Vora For Dish TV, how long the fixed amount remain as our term?

Atul Das Our term is for one year and we re-negotiate the term every year.

Nikhil VoraOkay, is the re-negotiation fixed at a particular price increase over the last year, or
is it re-negotiated totally on the number of subscriptions which are there?

Atul Das It is based on basically the industry scenario and how Dish TV has done within that.

Nikhil Vora And the average yield on the fixed sum right now will be closer to the Rs. 20 that we get?

Atul DasI think we will not get into individual operator-wise analysis, but the fact remains
that Dish TV has the largest market share and it does contribute similarly in our
proportion of the revenues broadly.

Nikhil Vora Okay, good, thanks a lot.

ModeratorThank you Mr. Vora. Ladies and gentlemen, before we take the next question, we
would like to request participants to limit their questions to two during the initial



round as there are several participants waiting for their turn. The next question is from the line of Sanjukta Majumdar of Transcan Securities. Please go ahead.

- Sanjukta Majumdar Hello. Good afternoon sir. My question is about the regional general entertainment channel business. How much has been its contribution to the total revenue and how much is the contribution in the cost part?
- Atul Das Sanjukta, we do not split out our business revenues specific business-wise. So we will be constrained to give those details, but as I mentioned to you, since we had during the time of the de-merger from Zee News Limited, we had definitely shared the information that the regional as a business have turned in revenues of 400 crore last fiscal and EBITDA margins of 31% which gave an EBITDA of 126 crore. So that gives you an indication of how the business is going and as I mentioned, our business continues to do well, so there is no major change in the direction of the business.

Sanjukta Majumdar Sir, could you give us an idea of how the acquisition was funded, was it debt or cash?

Atul Das It was a share swap.

Sanjukta Majumdar Sir, going ahead do we see this business being a major contributor through the revenue side?

Atul DasSee last year, if you look at fiscal 2010, our total revenues were Rs 21.96 billion. Of
that Rs 4 billion came from regional entertainment so that the proportion of
revenues that we get from there and of course the regional entertainment sector is
growing very-very strongly. So we hope that the proportion can go up further.

Sanjukta Majumdar Thank you sir, that's all from my side.

ModeratorThank you Ms Majumdar, Our next question is from the line of Mr. Vikas Mantri from
ICICI Securities. Please go ahead.

Vikas Mantri Good morning sir, on the numbers of the subscription revenue, if you look at Y-O-Y numbers for overall, our Y-O-Y increase has been 8% in subscription revenue and that is basically a 20 crore number and I am not even adjusting for the regional GEC subscription revenue. So would it be fair to say that our subscription revenues have declined Y-O-Y without the R-GEC?

Atul DasThat's not a correct interpretation Vikas. As you know, regionals have a smaller
share of the subscription revenues in their portfolio.

Vikas Mantri You are telling me it is less than 20 crore?

Atul Das	We are not getting into the numbers again, but yes, we have seen an overall growth
	from the DTH front. As we have split out the key revenue streams which is important
	if you look at the international revenue streams. We have declined on international
	business. We have suffered because of currency fluctuation also there. And then if
	you look at our Y-O-Y performance on the domestic DTH front, we have grown
	pretty sharply, which is 71 crore versus 46.7 crore and the domestic cable revenues
	are up from 85 crore to 89.4 crore. So that's the performance and regionals do
	account for a small share of the subscription pie in our business.

- Vikas Mantri And on the sports business now, given that you also had a sharp increase in the sports business revenues because of active business sports calendar. It does not seem to have translated into subscription revenues per se significantly. So 23 crore delta in terms of the subscription revenues does not show me a very big change in the subscription revenues if I adjust for that.
- Punit GoenkaYes Vikas, Punit here. A share of subscription revenue comes from cable and as Atul
was saying earlier that it's a negotiated lump-sum amount. It continues to come for
the full 12 months irrespective of there is an event or not. So I do not think you can
attribute subscription revenue event-wise. One will also have to look at the full-year
subscription revenue of cable.
- Vikas MantriSo would it be fair to say the incremental sports revenue is largely syndication and
advertising? Given that you have said subscription does not come?

Punit Goenka No, what I said is subscription is not event-driven.

Vikas Mantri So then the incremental sports revenue is largely divided between advertising and syndication?

Punit GoenkaYes. I think what you're trying to say is that for the quarter if there is an event and
the revenue will shot up then yes large part of it does get attributed it to
syndication and to advertising.

Vikas Mantri Okay, on the programming cost side, now we have seen an increase of programming hours with Keshav Pandit being launched and also recently, the movie acquisition rights have nearly increased in the industry. So do you see a risk over there in terms of a significant increase in our programming cost going forward and also do we intend to increase our programming hours further?

Punit GoenkaWe definitely do intend to increase our programming hours going forward, but in the
overall scheme of things as I said earlier, the total cost without the sports business
we are 15% growth from that.



Vikas Mantri Okay, fair enough, sir. Thank you.

- ModeratorThank you Mr. Mantri. Our next question is from the line of Mr. Pratish Krishnan of
Bank of America Merill Lynch. Please go ahead.
- Pratish KrishnanPunit, you did mention about M&A opportunities. Could you please comment in
terms of what are the key gaps in the portfolio that you intend to fill through the
M&A approach?
- Punit GoenkaWell, one of the most critical gaps in our portfolio is this kids genre today. I do not
know whether we'll be able to fill that through an M&A approach or we will have to
do a Greenfield. It's something we are constantly working on as strategy to come out
with. But apart from that like, for example, you saw the 9X acquisition, which
happened. There could be other areas that may be available, so nothing in active
consideration as of now.
- Pratish KrishnanAnd second is on the sports business where you had a loss of around 35 crore. You
did mention that for this full year you will have a loss of 58. What could drive the
turnaround of performance here?
- Punit GoenkaIt has to be revenue. Firstly, I didn't say that we will have a loss of 58, I said it will
be well within 58. It should not go up over the last year number. The other thing
that will drive it is this year we do have a significant lot of properties coming up,
which we would monetize both in terms of advertising, syndication, and growth of
subscription income, which will drive the revenues up, therefore the losses down.
- Pratish KrishnanAnd finally, in terms of the international business revenues. I mean that seems to
have declined further year-on-year basis. When should we expect this to kind of
improve or show an increase?

Punit Goenka See, the international business on dollar terms actually is growing marginally for us; it's not declining. We end up losing out only on the foreign currency conversion rates. So there was a time few years back when there were marginal dips in the international business, but that turnaround has already taken place. So the currency battle is something that we cannot do anything about and we will constantly try and improve our performance in international market to see how we can grow despite the fluctuation of the foreign exchange.

Pratish Krishnan What could have been the growth in dollar terms year-on-year?

Hitesh Vakil It is roughly around 3% growth.

Pratish Krishnan Thanks a lot.



- Moderator:Thank you Mr. Krishnan. Our next question is from the line of Amit Kumar of Kotak.Please go ahead.
- Amit Kumar Thank you so much for the opportunity. Sir, just starting off with couple of housekeeping questions. On the consolidated business, your overall tax rate has actually gone up to almost about 36% in this particular quarter. Is there anything that you might want to highlight on that?
- Hitesh Vakil How you have arrived at 36%?
- Amit KumarSir I am looking at your pre-tax profit of about 188 crore and on that you have a tax
of about 67 crore. I am assuming the extraordinary 29 crore is net of tax. Would that
be the right way to look at it?
- Hitesh Vakil That is also subject to tax.
- Amit Kumar Okay, the other point was that typically just a trend that I wanted to understand we are seeing some sort of seasonality as far as our overhead expenses are concerned in the first quarter. Is there any rationality behind that. I mean firstquarter is typically lower and the other three quarters tend to be a little bit on the higher side. Is there anything to this?
- Atul Das Amit, there is the element of seasonality on two accounts. One is typically during the festival season, when the advertising cycle is also is on its peak. There could be cases - it's not 100% true for every year, but it could be a reason that we spend more on programming. The other more important reason why seasonality and fluctuation happens is more to do with sports. So sports calendar obviously is not a predictable calendar, it depends on when the events come. In some quarters events are more and therefore the cost accordingly gets portioned in that quarter. So it's really non-sports where more trend lines can be drawn, but sports is what can kind of skews the trend so that will remain a factor in our business.
- Amit Kumar Sir, with briefly to the other main question in the sports business currently the India-Sri Lanka series is on. For the year, which other key properties would you like to highlight on the sports business and which other major properties would we have for the rest of the year?

Atul Das

We have coming up the India-Sri Lanka-New Zealand which is happening right now. In August we will have Pakistan playing Bangladesh. In September, we will have Zimbabwe versus South Africa and the bigger one is coming up actually in the third quarter, which is Pakistan versus South Africa. So there are several properties we have lined up, of course as you really know that this year is a sports heavy calendar in general. Apart from properties that we have, there are already three major properties. In fact, that's the point that I think you should look at that - within the first quarter there was FIFA, there was T20 World Cup and there was a residual of IPL 3. So there was a lot of apprehension amongst lot of our investors and analysts and that it will affect our performance very-very dramatically. And as you can see, our performance has been very strong both on revenue and viewership front which itself reveals the fact that sports has its own viewership not that sports did not get the viewership, sports obviously have got a lot of viewership. But there is a dedicated loyal audience for other genres which remains with the genres. So the point I was making is that sports heavy calendar does affect overall revenue towards sports, but it doesn't really take it away from other genres as we have seen in the past.

- Moderator Our next question is from the line of Shridhar Shah of IIFL. Please go ahead.
- Shridhar Shah Thanks for the conference call. I have one question on the tax rate going forward. Now since we have acquired 9X and you should be benefiting on account of the carry forward losses, so how much would be the benefit and should we expect that benefit to be realized in FY11 itself?
- Hitesh VakilWell, part of the benefit will be captured in March 2010 and rest of the benefit will
come, if it is approved by the High Court.
- Shridhar ShahSo what part of the benefit will go in FY10 so that you will not see any impact in
FY11 of debt to that extent?
- Hitesh Vakil There will be still a part available in this financial year.
- Shridhar Shah What is the total amount of loss carried forward debt?
- Hitesh Vakil Right now, we are not at liberty to share any information on this.
- Shridhar Shah Secondly, one question on the outlook on advertising side. If you can give us some color, what kind of growth we should expect this year in terms of overall advertising revenue for the company?
- Punit GoenkaWell Shridhar, as I said the industry is looking at 14-15% growth and the company's
endeavor is always been to be one step ahead of the industry and that's what we
will endeavor for.

Shridhar Shah Thanks a lot.

Moderator:Thank you Mr. Shah, our next question is from the line of Dipan Shankarnarayanan of
HSBC Invest Direct. Please go ahead.

Shankarnarayanan

yanan Good morning sir, congratulations for good set of numbers. We just want to



understand the outlook on subscription revenues per se for domestic, international, and DTH for the year as a whole?

Atul Das Dipan, international businesses as we have mentioned earlier is not really growing as fast as the domestic. So from a growth perspective, while we do expect in constant currency terms growth coming up from international business but unfortunately there have been some FOREX fluctuations, which have affected us negatively. So at least in dollar terms, we do expect single digit growth coming in from international subscription. Domestic cable revenues again because of the move largely or subscribers moving from analog cable to DTH we don't really expect a major change there but at least we don't expect a decline also. So it could be again a case of the single digit growth in cable revenues, where the larger amount of growth is coming is the third element, which is the DTH segment. Last year, there were almost 9 million subscribers added to the industry and we also added handsomely to our revenues, which almost went up by 95%. And this year, assuming the industry adds another 10-11 million subscribers of course on a higher base on our own revenues, we should add again similar numbers as the industry numbers are getting added. Not all of the industry incremental additions are paid subs to Zee because there are many subscribers in the Southern part of India are not subscribers of Hindi channels. It's nothing to do with Zee, but it is a general language preference. So typically what we have seen as the trend that of every 100 subscribers added by the industry, roughly 50 do take Zee.

Shankarnarayanan Okay, my another question is how we see the advertising revenue going forward. Do we see any ad rate hikes possible and also how is the growth available in regional spaces?

Atul Das

Advertising revenues have seen a very strong performance for the first quarter. It is also because of a dip and a slowdown that we saw in the first quarter of last fiscal. So we are definitely coming of a smaller base and therefore, the growth rates are looking very strong this quarter. But we'd like to say that compared to last year, which was a very different year when things was slowing down and when the effect on the economy was seen an impact of ad spends, this year everything has bounced back. Scenario definitely looks far stronger. The consumer sector and durables sector, which are large advertisers on television, are definitely looking up to spend more. So if you go by the first quarter trends, what we can say is that the industry should add around 14-15% on television advertising for the year, which is what we can see sitting as of today. If the things are better, obviously we will update our forecast as we go forward, but today we will be more comfortable with that number.

Shankarnarayanan Okay. Thank you sir. That is it from my side.

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- Moderator:Thank you Mr. Shankarnarayanan, our next question is from the line of Grishma Shahfrom Envision Capital. Please go ahead.
- Grishma Shah Sir, I just wanted to know about 29 crore exceptional item. I mean sale of investments was it more strategic, etc., or was it just liquid that was lying?
- Atul Das No, we had some investments in company called Asianet Communications, which they have been holding for some time, which we have sold. So it's a one-time sale of investments.
- Grishma Shah Okay fine and I just wanted to reconfirm the cash figure if you could?
- Atul Das The net cash in the balance sheet is 792 crore.
- Grishma Shah Fine. Thank you.
- Moderator:Thank you Ms Shah, our next question is from the line of Ashwin Shetty from
Execution Noble. Please go ahead.
- Ashwin Shetty Thanks for taking my question. Just wanted to understand in case of sports business, how is the cost of content amortized? Is it only when the event takes place or in a straight line basis?
- Hitesh Vakil It is based on the event that takes place.
- Ashwin Shetty I just wanted to understand how will the loss come down for the next nine months?
- Atul Das See Ashwin, basically it all depends on how many events are there in each quarter. So for example this quarter, we had this cricket series between India and Zimbabwe. Unfortunately, the performance of Indian team was not too good and therefore the ad revenue performance again was weaker than what we had anticipated. Again in the second quarter, we have some good amount of cricket matches happening and some in the third quarter. So there would be costs accordingly coming up in the second and third quarter, but not so much in the fourth quarter. But we do expect better performance on ad revenues as far as these coming up matches are concerned. Nobody can guarantee that because it is really not fully predictable. We do anticipate a better performance and therefore losses should be contained in the next few quarters.

Ashwin Shetty Thanks a lot.

Moderator: Thank you Mr. Shetty, our next question is from the line of Siddharth Goenka of JM Financial. Please go ahead.

Siddharth Goenka Good afternoon to all and congratulations on the good set of numbers. Just couple



of questions. You mentioned about some FOREX losses this quarter. So can I know what is the absolute amount of losses we incurred this quarter?

Hitesh Vakil	Well, it's approximately 4.1 crore.
Siddharth Goenka	And that is getting reflected in the other income or interest?
Hitesh Vakil	It is in the interest and other cost.
Siddharth Goenka	Okay and can we have, what kind of CAPEX plans we have for this year?
Punit Goenka	It's going to be maintenance CAPEX, Siddharth. Anywhere between Rs 600-800 million for the year.
Siddharth Goenka	And in the other sales and services, we also have revenues from film distribution and education. Can we have a breakup for that?
Atul Das	If you look at it, largely education is around 10 crore or so and the other components are largely from syndication of content and from commissions on sales. But movie revenues are not there much.
Siddharth Goenka	Sir, then moving forward I believe that education revenues will not be there as the ETC transaction has already done, am I right in analyzing that?
Hitesh Vakil	That's true, but there is some syndication revenue coming in.
Siddharth Goenka	Thank you so much. That is it from my side.
Moderator:	Thank you, Mr. Goenka. Our next question is a follow-up from the line of from the line of Madhuchanda Dey of Kotak. Please go ahead.
Madhuchanda Dey	Thanks for the opportunity, I have one question. When the regional GECs were merged with ZEE Entertainment, one of the rationales was to gain some synergistic benefits, which would have rub-off on the revenue and profitability. How much of that have you already started getting and what is the roadmap basically?
Punit Goenka	No, they have been integrated fully into this company.
Madhuchanda Dey	I understand that, I'm saying that how much of these synergistic benefits have you started reaping in the quarter?
Punit Goenka	I would say on the revenue side, we would be fully up to speed on the synergy that one would expect to come in. On the softer areas or whether it is content sharing, those are an ongoing effort and that will continue throughout the year.

Madhuchanda Dey	My question is if you may permit me to ask this question you had indicated that there would be substantial rub-off in terms of taking this content together in the overseas geographies and that would have some impact on your international subscription revenues. We have not seen that happening at all so far. So any sense on when that is expected to happen or that is something it might not happen in that way you had anticipated?
Atul Das	Atul here. It will happen in the way we anticipated except that it will take some time because international we have not really launched any new properties in a big way. There are several things that we are prioritizing and I'm sure within the next few quarters, international segment on regional also will get activated. So it's a matter of what we're doing first and therefore right now the first priority is to synergize on the content and the cost perspective and more to do with content creativity rather than cost. So that process is on and I guess as we go into next few quarters, other synergies will start reflecting.
Madhuchanda Dey	So when you are talking about the single digit dollar revenue growth that does not factor in this synergy benefit?
Atul Das	No, we are not specifically splitting out what is the factor of regional on that and as you understand, regional is a small component. Let us say a regional channels

launched in international markets will not swing the revenue factor in a very big way. So that I hope you have to keep in mind. The factor is from wherever it is, it

Madhuchanda Dey	Okay.
Moderator:	Thank you Ms. Dey, Our next question is the follow up from the line of Ritesh Poladia of Almondz Global. Please go ahead.
Ritesh Poladia	Sir, just one question. The deal in Russia for DTH - would there be a good increase in international revenues?
Atul Das	Not really, Russia is still small market as far as our content is concerned, but it is a new step forward in a new territory.
Ritesh Poladia	Okay, thank you so much.
Moderator	Thank you Mr. Poladia, our next question is a follow up of from line of Hiren Dasani of Goldman Sachs Asset Management please go ahead.
Hiren Dasani	Thanks. Earlier you used to break out your admin and selling and other expenses into selling in the admin and other. So any sense in this quarter, what was the selling

will definitely add to the revenue streams.



related expenses and the admin and other expenses?

Atul Das We are now Hiren clubbing the two, and as you can see the growth rate on the total selling and other expenses has been Y-O-Y 55%. So that's where we are at 125 crore. Hiren Dasani Can we say that the proportion within that of selling expenses would have remained more or less the same as what it used to be earlier? Hitesh Vakil Selling expenses are on the other side. Hiren Dasani Okay. And second on the employee expenses, would it be fair to assume that this year, we are also pro-rata providing for the year-end bonuses which we may pay out? Atul Das That's correct Hiren. Hiren Dasani Unlike last year when it was bunched up in the Q4, this year we are more doing it in a pro-rata basis. Atul Das That is correct. Hiren Dasani Thanks a lot. Moderator Thank you Mr. Dasani, our next question is from the line of Abneesh Roy of Edelweiss Capital. Please go ahead. **Abneesh Roy** Just one small follow up question. You mentioned in terms of gap in your portfolio which is already very strong. You spoke on Zing - if I see the equivalent MTV, Channel V or even Bindaas, would you say that Zing has reached that kind of a potential or still we have a lot of work to do in Zing, basically Youth Hindi? Punit Goenka Although there is still a lot of work to do in Zing, though it's not competing with MTV or Channel V because those are more reality based shows. A similar comparison to Zing would be Zoom. That is the direct competition one looks at. But you are absolutely right, I think there is still a lot of work that has to be done there. **Abneesh Roy** One small follow-up in terms of Geodesic. Could you share some light what kind of cost and what kind of revenue potential over a longer-term? Atul Das It will be difficult to give out numbers right now Abneesh, but yes, it's an opportunity given the fact that very soon 3G roll out will happen. So that's what we are wanting to tap into and gain large part of the market share possibly. Abneesh Roy So this is not just marketing initiative, this can be a revenue initiative also?

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Atul Das	Yes of course.
Abneesh Roy	Okay thanks.
Moderator:	Thank you Mr. Roy, our next question is from the line of Rohit Dokania of B&K Securities. Please go ahead.
Rohit Dokania	Hi Punit, just one question - is there a thought process somewhere that down the line we might think of de-merging the sports business?
Punit Goenka	Nothing on the cards right now.
Rohit Dokania	Because if you exclude the sports business, our EBITDA margin would be range of the 36-37%. I was just wondering, but nothing on the cards right now?
Punit Goenka	No, as a company we can't just keep doing that because we have to offer bouquet of services and a bouquet of content has to be complete and sports is an integral part of the entertainment content.
Rohit Dokania	That's all I wanted to understand, whether we will be focusing on sports as much. Thank you.
Moderator	Thank you Mr. Dokania. Our next question is from the line of Amit Kumar of Kotak. Please go ahead
Amit Kumar	Thanks again, sir. Just wanted to understand there was some news report out there which says that Zee might be planning to launch Zee Café. It will not be the same channel, but combination of your regional feet into the international market, could you please comment on that?
Punit Goenka	Yes, we are launching Zee Cafe in the UK Europe market as a value-add service that will be offered to the customers there.
SAmit Kumar	Okay, and could you also just possibly talk about the near-term impact on your international subscription revenue on that account?
Punit Goenka	No, as I just said, it's a value-add. So there is no impact.
Amit Kumar	Okay, so you will offer it as a part of a bouquet together?
Punit Goenka	Correct.
Amit Kumar	Okay, got it. Sir, just a small comment. When we brought over the regional channels into Zee, the idea also was to launch more regional channels as well, like Zee Cinemallu was one of them and within the other markets. We obviously have



opportunity to launch movie channels in other markets as well as in Marathi, it is already there. What sort of timeframe are we looking at for that, any firmed up plans that you can share?

Punit Goenka Nothing is firmed up yet, but we are working on the plan as we speak.

- Amit Kumar Okay. Thank you so much.
- ModeratorThank you Mr. Kumar. Ladies and gentlemen, due to time constraints that was the
last question. I now had the conference over to Mr. Rajesh Pal to conclude the
conference call. Please go ahead Sir.
- Rajesh PalLadies and gentlemen, thank you again for joining us. We hope to have the
transcript of the call on our web site www.zeetelevision.com soon. We look forward
to speak to you again at the end of the second quarter of fiscal 2011 or even earlier
on a one-on-one basis. Thank you and have a great day.
- Moderator Thank you Mr. Pal, thank you gentlemen of the management team. Ladies and gentlemen, on behalf of Zee Entertainment Enterprise Limited, that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines.