

## **Zee Entertainment Enterprises Limited**

4Q FY2011 EARNINGS CONFERENCE CALL April 19, 2011, 1530 HRS IST

Moderator:

Ladies and gentlemen, good afternoon and welcome to the Zee Entertainment Enterprises Ltd Q4 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. If you should need any assistance during this conference call, please signal an operator by pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kanwaljeet Singh of Zee Entertainment Enterprises Ltd. Thank you and over to you sir.

Kanwaljeet Singh:

Thank you, Farah. 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 fourth 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 the chance to go through the earnings release and the results, both of which have been uploaded on our corporate site, <a href="https://www.zeetelevision.com">www.zeetelevision.com</a>.

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 - President and CFO, and Mr. Atul Das - President and Head, Corporate Strategy & Business Development.

We will start with a brief statement from Mr. Goenka on the fourth 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 Fourth Quarter of fiscal 2011. Let's begin with details of some of the key financials of the quarter, which should give a clearer picture of our financial performance.

The 9X business undertaking of 9X Media Pvt Ltd and ETC Networks Ltd were merged with the Company w.e.f. March 31, 2010. Post the merger of ETC Networks Ltd with ZEEL, the entire education business undertaking of ZEEL was demerged into a new listed company, Zee Learn Limited w.e.f. April 01, 2010. Hence, the numbers for this quarter are not strictly comparable on a like to like basis.

I am happy to note that that the overall revenues of the Company during fiscal FY2011 have crossed Rs 30 billion for the first time and we crossed the year with Rs 30.1 billion. ZEEL's **advertising revenues** during the quarter were Rs 4.8 billion, an increase of 36.4% as compared to the corresponding quarter last fiscal. Advertising revenues continued to show a robust increase due to strong market shares across the network. For the full year FY2011, advertising revenues increased by 60%.

The subscription revenues for the quarter were Rs 3.1 billion, registering an increase of 23.7% over the corresponding quarter last fiscal. Domestic subscription revenues stood at Rs 2 billion, while international subscription revenues were Rs 1.1 billion. Revenues from domestic DTH operators, part of domestic subscription revenue, were Rs 984 million, up 44.1% yoy. Subscription revenues from international operations increased by 7.5%, while subscription revenues from domestic cable increased by 26.5% on yoy basis. For the full year FY2011, subscription revenues increased by 14.8%.

On the cost front, programming & operating cost in the quarter was Rs 3.7 billion as compared to Rs 2.6 billion in the corresponding period last fiscal, an increase of 43%. Employee cost increased by 19.8% over the corresponding period last fiscal. Selling & other expenses in the quarter were Rs 1.2 billion, indicating, a decline of 14.9% over the corresponding period last fiscal. Total costs incurred by the Company in this quarter were Rs 5.7 billion, showing an increase of 22.6% over the corresponding period last fiscal.



During the quarter, the Company's operating profit (EBITDA) was Rs 2.3 billion, an increase of 23.5% over the corresponding period last fiscal. Operating profit margin for the quarter stood at 28.4%. Profit before Tax (PBT) for the quarter stood at Rs 2.4 billion, while Profit after Tax (PAT) was Rs 1.9 billion representing an increase of 22.7% and 49%, respectively over the corresponding quarter last fiscal.

During the quarter, the Company repaid debt of Rs 910 million. As of March 31, 2011, it has gross debt of Rs 1.2 million and net cash of Rs 12.5 billion. Finance expenses in the quarter were Rs 23 million, down 79.1% yoy.

I am happy to report that sports losses were contained to Rs 152 million during the fourth quarter, in line with our forecast earlier. We do expect losses to continue in the sports business for some more time to come.

I would now like to cover the business performance. Zee TV, the network's flagship channel in the Hindi General Entertainment genre recorded an average relative channel share of 23% and average weekly Gross Rating Points (GRPs) of 217 during the quarter. The performance was better in the All Day Prime Time band, where Zee TV averaged 156 GRPs during the quarter. The channel delivered a weekly average of 24 shows among top 100 shows during the quarter led by top rated shows like Pavitra Rishta, Jhansi Ki Rani and Yahan Main Ghar Ghar Kheli. The quarter saw the launch of DID Doubles, Chhoti Bahu - Season 2 and Sanskar Laxmi. The key events showcased during the quarter were Zee Cine Awards 2011 and Holi Mein Saanwre Ke Rang Rachi Chhoti Bahu. The key properties planned in the forthcoming quarter include Chhoti Si Zindagi, Dance ke Superstar and Sa Re Ga Ma Pa Li'l Champs.

The network's Hindi movie channel **Zee Cinema** averaged 122 GRPs during the quarter translating to an average channel share of 25%. One of the key properties of the channel during the quarter was the *Best of Shanivaar Ki Raat Amitabh Ke Saath*. The quarter also saw the channel acquiring rights of popular movies like *Tanu Weds Manu*, *Thank you* and *Break Ke Baad*.

The network's channels in the English entertainment and movies genres - Zee Café and Zee Studio have been steadily consolidating their presence. **Zee Café** launched popular properties such as *Keeping up with the Kardashians*, and *The Mentalist - Season 2*. The key highlights for **Zee** 



**Studio** were *Director's Night*, *Academy Spotlights*, and 17<sup>th</sup> Annual Screen Actors Guild Awards during the quarter.

Zee Khana Khazana, India's first 24 hour food channel, lived upto its promise of delivering rich programming mix from across India and abroad featuring shows like *Khana Khazana*, *Quick Chef* and *High on Food*. The quarter saw the launch of shows like *New British kitchen*, *Ching's kitchen* and *Gordon's Great Escape*.

Ten Sports showcased WWE-Royal Rumble, WWE-Elimination Chamber, and Smackdown during the quarter. The quarter saw the airing of La Liga on Ten Action+, whereas Ten Cricket aired several popular cricketing events including India vs South Africa Tests, ODIs and T20. In the forthcoming quarter, the key events planned on the sports network include UEFA Champions League Knock-out matches, UEFA EUROPA Cup Knock-out matches, La Liga Knock-out matches and ATP 1000 tournament. In addition, Ten Cricket would telecast popular cricketing events like India tour of West Indies, and Pakistan tour of West Indies.

Zee's International operations saw new initiatives to further strengthen its dominance. In America, *Zee Cine Awards 2011* were aired that averaged a 4.6 Live HH rating in the Asian Indian universe. In Malaysia, Zee was relaunched with a brand new look as Zee Variasi. In Middle East, the newly launched Zee Cinema featured in the top 10 channels targeted at South Asians garnering more than 50% viewership share (in all South Asians) amongst the movie channels. Zee Aflam attained its maximum viewership share (in *All Arabs* TG) ever for a non-Ramadan month. In Singapore, Zee TV Asia Pacific became the first and only Hindi General Entertainment Channel to get rated on Kantar Media Rating System as its viewership crossed the minimum threshold defined by the local rating agency, TNS.

We continue to see robust growth in the regional segment. **Zee Marathi** maintained its leadership position in Maharashtra market delivering 219 GRPs with 37 of the top 50 shows led by top rated shows like *Marathi Pauul Padte Pudhe*, *Eka Peksha Ek-Apsara Aali* and *Bhagyalaxmi*. Another highlight of the quarter was telecast of *Zee Gaurav Puraskar 2011* - the biggest award function on Marathi television.



Zee Bangla averaged 369 weekly GRPs in the quarter, ranking a clear second in the Bangla GEC genre with a relative share of 33%. Zee Telugu averaged 343 weekly GRPs led by popular shows like *Chinna Kodalu*, *Muddubidda* and *Nachore*. Zee Kannada averaged 229 weekly GRPs during the quarter up from 178 GRPs during the third quarter led by shows like *Parvati Parameshwara*, *Chi Sow Savitri and Bruhat Bhramanda*.

In a year which recorded a resurgence of advertising revenues on television, we have yet again outperformed the industry. We ended fiscal 2011 on a good note, gaining viewership share across several genres, combined with improved revenue shares, better operating margin and increased cash flow. With our subscription revenues growing at a healthy pace, our overall revenues have recorded a 23% growth over the fourth quarter of last year. For fiscal 2011, our revenues grew 37% to Rs 30.1 billion, while our EBITDA grew 36%, despite increased losses in sports business.

Our content focused approach combined with better monetization of subscription revenues, will contribute to Company delivering steady return in the year ahead. With this, I thank you again for joining us and would now like to open the floor for the questions and answers session.

Kanwaljeet Singh:

Thank you, sir. Ladies and gentlemen, we are ready for questions now. I would request all the 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, we will now begin with the question-and-answer session. Our first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy:

Sir, great performance from every count. My first question is on the DTH revenues. We have seen a 44% growth Y-o-Y and 19% growth Q-o-Q. Is there any one-off item in this because in the past we have seen that Q-o-Q growth was 4% and prior to that 10% Q-o-Q growth was there.

Atul Das:

Abneesh, on the DTH revenue front, the growth is not one-off, but it has come because of an additional channel which we launched last quarter - Ten Cricket. As we had explained in detail during the last conference call, the fact that we have not had monetization of the sports business in the third quarter, it will start coming through in the fourth quarter. So there is



an element of DTH revenues as well on account of the new launch of the channel which has come through.

Abneesh Roy: So was this a Q4 number only or even in the Q3 what we lost, any numbers

because of that also?

Atul Das: No, a large part of the incremental revenue has come up in Q4. Of course,

there has been a normal growth in the business as well. So incremental growth is not on account of sports alone, but a good portion of it is on

account of sports.

Abneesh Roy: Okay. My second question is again with respect to DTH. Yesterday, Supreme

Court has said that instead of 50%, the rate applicable for DTH operators would be 42%. When renegotiation happens with the DTH operators, how do you see this ruling really affecting? Do you think that because bargaining

power is relatively high for you, the impact might be minimal?

Atul Das: As for the particular impact of this Supreme Court order, it is not impacting

in any way those revenues that we have negotiated contractually. Only those rates, which are on a per sub basis, what we call, RIO rates, those would be impacted to the extent that they will come down from the

current 50% to the 42% till the case get settled. So this is, as of now, an

interim order till the case is disposed.

**Abneesh Roy:** My last question is on the huge cash, which we have around Rs 12.5 billion.

How do you propose to use this? One of your competitors has come out with full page ads of TrueHD channels. So where are we in terms of that? Where are we in terms of the programming? And where are we in terms of

dividend payout?

**Punit Goenka:** On the cash part, Abneesh, we have already announced the share buyback

already been running about five channels in high definition mode, which will further be enhanced in the coming fiscal. But that is not a huge cost per se because the conversion cost of standard definition to high definition does not require such a large kitty of cash. It is more of a CapEx investment. But we are working on future plans as to what kind of organic

and inorganic growth we would like to see. As for dividend policy, as of now

which is still pending. On the HD thing, I would like to report that we have

there is no change in it. We are going to maintain our 25% payout ratio.

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Abneesh Roy: And is ours also end-to-end HD, what the competitors run?

Punit Goenka: No, not yet. We are actually working on doing end-to-end HD.

**Abneesh Roy:** Okay, thanks for this and all the best sir.

Moderator: Thank you. Our next question is from the line of Mayur Gathani from OHM

Group. Please go ahead.

Mayur Gathani: Regarding Ten Cricket, with this new series coming up, India-West Indies

and Pakistan-West Indies, will we see more losses in the coming quarters?

Punit Goenka: Our estimated loss for the next fiscal for sports business is between Rs 80 -

100 crore.

Mayur Gathani: Okay. And how come selling and other expenses have fallen year-on-year

basis? What were the reasons behind that?

Atul Das: Mayur, it has definitely gone down during the quarter on a year-on-year

basis. If you look at the last few quarters trend, you will notice that they are more or less in line with what we have been recording in the last few quarters. If I were to quote you, in the first quarter, we had admin and selling expenses were 1.2 billion, second quarter, 1.1 billion, third quarter 1.1 billion and fourth quarter is also 1.1 billion. So if you see the recent

trend, it is in line.

Mayur Gathani: But with regard to last year what has changed for these expenses to come

down?

Atul Das: I mean we have controlled the cost. That is why I gave you the last four

quarters picture. To give you a sense that we have controlled the cost while

in the first quarter of this fiscal itself and that trend has continued.

Mayur Gathani: Okay, so we can assume that these are the normalized expenses on

quarterly basis?

**Atul Das:** Yes, more or less, as things stand today.

Mayur Gathani: Okay. Any new plans to launch any other channels, or a sports channel for

this year?



Punit Goenka: We are awaiting one permission from the Ministry of I&B which is for our

golf channel.

Mayur Gathani: Thank you.

Moderator: Thank you. Our next question is from the line of Vipul Prasad from Morgan

Stanley.

Vipul Prasad: Two questions. Firstly, what are you thinking on the advertising industry

growth in India and particularly for the regional channels? And secondly, in your sports business, did you say that next year you are kind of looking at an EBITDA loss of Rs 80-100 crore, did I hear it correctly? If not, what kind

of number are you looking at?

**Punit Goenka:** You are absolutely right. You heard it correctly.

Vipul Prasad: Okay. And for the ad revenue growth, what kind of numbers or rough ranges

are you kind of working with?

Punit Goenka: We are working on an estimate for ourselves to be anywhere between 12-

14% growth next year in the advertising market.

Vipul Prasad: Okay. And industry growth will be in line or do you think that you will be

losing market share there?

Punit Goenka: No, I think our consistent performance has shown that we have always

beaten market performance. But this is what we are working towards,

speaking today at this point in time.

Vipul Prasad: Perfect. Thank you.

Moderator: Thank you. Our next question is from the line of Siddharth Goenka from JM

Financial. Please go ahead.

Siddharth Goenka: Good set of numbers. My question is again on the advertising growth. You

mentioned that we will probably be growing at around 12-14% but will this growth also include the sports-revenues, or are we talking about only the

entertainment business growth?

Punit Goenka: Siddharth, as you know, sports is highly event-based. I am talking about

growth numbers without sports.



Siddharth Goenka: Fine. And sir, can you give us how much were the paid DTH subscribers in

4Q and what has been the yield?

Atul Das: If you look at the total numbers, DTH revenues have been Rs 984 million

and the total industry size in terms of DTH subscribers has been around 34

million. Our paid subscriber base is 17.1 million subscribers.

Siddharth Goenka: Sir, last question. We have seen a sequential increase in staff cost and also

other sales and services came at around Rs 76 million. Can you throw some light, I mean, other sales and services, what should be a base assumption

going forward?

Atul Das: The staff cost increase, Siddharth, is largely an increase only on account of

year-end incentives and all that. Not really an organic change in the number. As we go along into the first quarter of next fiscal, obviously, the number will look lesser. Of course, we will continue to keep adding into our manpower and therefore some increase in staff cost will continue to be seen. Industry is in a buoyant mode right now. So that is on the manpower

front. What was the second question, Siddharth?

Siddharth Goenka: On the other sales and services, the revenue is just Rs 76 million, what

should be a base assumption going forward?

Atul Das: Large part of the other sales and services is because of syndication

revenues. Earlier till last year, we used to have the education business as part of our Company, which has now been demerged. So that element is now gone. Whatever significant revenues come, are on account of syndication revenues - to some extent on sports and balance on non-sports. So this quarter, we did not have any significant syndication revenues and therefore the number is less. But I think on an overall yearly basis, I would say that it could be anywhere in the region of Rs 50 crore to Rs 100 crore

per annum depending on the syndication of sports we can generate.

**Siddharth Goenka:** Thank you so much.

Moderator: Thank you. Our next question is from the line of Vikash Mantri from ICICI

Securities. Please go ahead.

Vikash Mantri: Basically, I wanted to understand what is the contribution of Zee Cine

Awards in the top line in this quarter. And second question is in terms of our



sports properties performance, is there a significant variance in how a test match costing is done vis-à-vis revenue potential and one-day costing is done vis-à-vis revenue potential, given that we had ten days of South Africa-India series last quarter and ten days in this quarter, yet a significant difference in performance per se?

Punit Goenka:

Vikash Mantri:

Punit Goenka:

Well, definitely, Vikash, revenue on one-days and T20s is far more significant than on test matches. That is why you see the disproportionate amount coming in this quarter, while costing is based on per day. That is why we have had huge losses in the last quarter. So I think the answer is already there in what you have said that it is because the difference in monetization of one-day and T20s is very significant which results in this kind of performance. And, what was your first question?

Vikash Mantri: Contribution of Zee Cine Awards?

**Punit Goenka:** I don't think we can break-up that revenue. It is just one event in our life.

And sir, in terms of the programming hours in the last quarter, we did mention that we intend to increase the slate of programming, but we have not done much from last quarter to this quarter with just one hour of programming increase, whereas Colors has increased four hours of programming and Star Plus has increased five hours of programming. So

anything different that we would see in our strategy now?

Very simple. We do not wanted to waste fresh hours of programming lying in the middle of World Cup and IPL. In World Cup you saw significant number of matches where we were getting ratings above 20 levels, which would have meant a complete waste in my view. But you will see growth of hours

expansion happening from the Q2 onwards.

Vikash Mantri: So we will wait for post-IPL when we should see an increase in the

programming hours?

**Punit Goenka:** Yes, you may say that.

Vikash Mantri: And sir, on the sports business losses, you gave a guidance of Rs 80-100

crore now. It would be better if you could let us know what we know differently - the cost that we are setting on for the year. Last year, we did a total cost of Rs 650 crore, out of which significant portion will be content



cost paid to the Cricket Boards. So can we share the cost that we will have

in FY12 rather than the loss per se?

**Atul Das:** Vikash, it will be difficult. We do not share that number. But as we have

said in the past that the cost structure in FY12 will be lesser than FY11.

Beyond that, specifics will be difficult to share.

Vikash Mantri: Sir, only point here is that this number of Rs 80-100 crore will have a lot of

estimation, whereas the cost number will have very low amount of

estimation on your side. So that would be a better number to model.

Hitesh Vakil: That is true. But the confidentiality does not permit us to share that

number.

Vikash Mantri: Thank you.

Moderator: Thank you. Our next question is from the line of Akash Chattopadhyay from

IIFL. Please go ahead.

Akash Chattopadhyay: Most of my questions have been answered. It would just help if you can give

me a break-up of the sports business revenues, rough ballpark in terms of advertising and subscription, just to get a trend of how are other properties

doing in terms of advertising.

**Atul Das:** Unfortunately, Akash, we do not split out revenues property-wise.

Akash Chattopadhyay: Okay, no problem, sir. And just a small thing. In terms of your consolidated

and standalone financials, if I look at the numbers, your subsidiary revenues are roughly around Rs 1.5 billion. There is a difference between consol and standalone which has been the trend usually, but in terms of the subsidiary cost, there is a significant drop. So, is there some adjustment involved in terms of Ten Cricket and other Ten Sports properties, if you could just

throw some light on that?

Hitesh Vakil: Yeah, there has been some cost charged to India. Other than that it is all

normal business which is going on. Nothing is exceptional.

Akash Chattopadhyay: Thank you

Moderator: Thank you. Our next question is from the line of Nihar Shah from Enam

Holdings. Please go ahead.



Nihar Shah:

I just had a follow-up on one of the earlier questions. The Supreme Court ruling you mentioned would only affect channels that are charged on a per sub basis. Can I know a rough ballpark amount in terms of what proportion of your subscription revenues either from DTH or from cable would be coming in where the channels are charged on a per sub basis versus where you all are doing sort of bouquet pricing or fixed pricing?

Atul Das:

We will be constrained to give those details. Again, these are contractual agreements which have a confidentiality clause. But suffice it to say that larger portion of our revenues will not be impacted as things stand today. And those revenues which are on a per sub basis will get impacted to the extent of 14% or so because of this change.

Also, one needs to keep in mind that there is a change which is happening from a digitization perspective. You would have noticed that Ministry of I&B has put up a new schedule. Assuming those deadlines are adhered to, then the same Supreme Court order will also apply to the new digital homes that will come under the coverage, which is a positive. Because earlier under the old regime, Rs 5 per channel and a certain percentage of that was applicable. But under the new Supreme Court order, the tariff order will be applicable even to the digitizing homes whether they go through digital cable or DTH, so that will be also a positive.

Nihar Shah:

Sure sir. But just a clarification. Do you believe that the Supreme Court ruling sort of limits the upside that you would potentially see in the short-term to medium-term from digitization? If there were digitization, then what you are currently getting from analog subscribers, you should see a manifold increase when all the subscribers are sort of recognized by the system. But under the current ruling, does that sort of get limited to any extent?

Atul Das:

We would have liked 50% and if you look at the history, we broadcasters were the ones who pushed it for changing from 35% to 50% and till that case is disposed off, the current Supreme Court order just says that till that is disposed, we will have to keep it at 42%. So obviously we will be happy with 50% but as of now, 42% is what we will get.

Nihar Shah:

Okay. And sir my last question would be on the advertising revenues. You have seen strong sort of quarter-on-quarter growth in advertising revenues despite there being the World Cup, the sports events this quarter. Can you

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sort of give me some sort of qualitative color on where this revenue growth in advertising came from? That is all from my side. Thank you.

Atul Das:

You must also note that the 36% growth in advertising this quarter which is the fourth quarter of this fiscal on a Y-o-Y basis is not only due to a strong organic growth. In a sense, we have done very well. But it is also to some extent contributed from the sports business. If you followed our numbers in the last quarter, we had explained that the third quarter unfortunately did not get monetized on the sports revenue front. As the one-days were all falling into the fourth quarter, the larger part of the revenues we have recorded in the fourth quarter. So to that extent, the 36% growth may look a little high. And that is why if you look at the numbers that we have guided for in the next fiscal excluding sports is more in a 12-14% range. We will not extrapolate this 36% growth into the next year.

Hitesh Vakil:

Even the quarter-on-quarter advertising growth of 9% largely is explained by the sports revenues sort of falling into this quarter.

Moderator:

Thank you. Our next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia:

Could you just quantify the impact of the ETC merger on the revenue and the operating profits? Because if the merger has been given effect in the Q4, how are we accounting for ETC till the nine months ended period and what is it that has changed in Q4?

Hitesh Vakil:

It has been accounted from day one, from April 1, 2010 onwards.

Miten Lathia:

So right from Q1 itself, you were taking 100% of ETC broadcasting business revenue into account?

**Atul Das:** 

But the effect of that was given in the second quarter. If you look up the old numbers, Miten, you will see that we had recorded a revenue item on account of education in the first quarter. In the second quarter, post the demerger, we actually took a write-back of the revenues because it happened during the second quarter. So second quarter had a write-back of those revenues. And since then we have been reporting non-education

revenues.

Miten Lathia:

Q4 versus Q3 has no difference in the treatment for ETC?



Atul Das: No.

Miten Lathia: Secondly, on DTH, would it be fair to assume that FY12 revenues will track

the subscriber growth numbers, especially with 42% sort of going to become

a final order also.

Atul Das: We will have to see. The order, as you know, has come only yesterday. So

we are also studying the implication and how much impact will happen. So we really cannot quantify it right now. But I would say the trend on growth of DTH revenues should more or less continue except for the small

adjustment because of the Supreme Court order.

Miten Lathia: And the analog revenues have sort of smartly trended up during the year. Is

there any change in the ground or what is that soft variable that we are not

able to sort of see?

**Punit Goenka:** That is on two accounts. One, we were able to push and get higher share for

ourselves from the networks on the ground. Secondly, our sports business has performed well on that front giving us a further kick up on analog as

well.

Miten Lathia: So can current number sort of assumed to be run rate or will that have some

volatility as we go forward?

**Punit Goenka:** It should be stable.

Moderator: Thank you. Our next question is from the line of Namrata Sharma from Pinc

Research. Please go ahead.

Namrata Sharma: When and what was the recent ad rate hike taken by Zee?

Punit Goenka: Not much. Because we have not signed too many deals going into the

financial year right now. We are still under negotiations as we speak. So

there is no hike taken as of now.

Namrata Sharma: Any plans in the future?

**Punit Goenka:** Of course. Every buying cycle we see, we try and renegotiate higher rates.

Until that is done, I would not like to speculate.

Namrata Sharma: Okay, thank you.



Moderator: Thank you. Our next question is from the line of Pranav Tendulkar from IDBI

Mutual Fund. Please go ahead.

Pranav Tendulkar: Actually I wanted to know if you can provide me the DTH yield per user. And

what is the DTH market going to be panning out in say next 12 months because the penetration levels are still not as high as some of the developed

markets.

**Atul Das:** Currently, the total subscriber base on DTH is around 34 million subscribers.

As far as Zee is concerned, we are getting paid for 17.1 million subscribers and that gives us the yield of Rs. 19 plus. And for your second question in terms of the movement of digital subscribers, the current additions are almost 1 million a month, which means every month DTH subscribers are increasing by a million or so. So we can safely assume between 11 to 12 million subscribers getting added for the industry going forward for the next couple of years. And of course, what will give a fillip on that is the recent move by the Ministry of I&B to get the digitization on in rest of the country. They have put out a schedule which requires the four metros to go into complete digital by FY2012 end and there is a schedule for digitization till 2014. So that should also additionally give a fillip to the speed of digitization and will only increase that number. We will have to see as far as the implementation goes, whether digital cable can also pick up speed

during this year.

Pranav Tendulkar: Okay. And just a follow-up question. I just want a ballpark figure. For the

DTH user, what is your EBITDA level breakeven time? For example, if the user gets added up this month then you will breakeven in how many months,

because you will subsidize the equipments, etc.

**Atul Das:** You are probably asking this question from DTH operator's perspective. We

do not make an investment into DTH subscribers in terms of subsidy. So

there is no question of return on that.

Pranav Tendulkar: Okay, thanks.

Moderator: Thank you. Our next question is from the line of Ricken Goppani from Infina

Finance. Please go ahead.



**Ricken Goppani:** Sir, just wanted to understand more on the advertising revenue front. If you

could give some color on the sports advertising revenue, how would it have

grown, any ballpark number that you could talk about?

Atul Das: As we said earlier, we do not split out our revenues business-wise. So we

will be constrained to talk about specific growth patterns on specific

businesses.

Ricken Goppani: But at least if you could guide that whatever growth on advertising which

we have seen on a sequential basis of about 9-10% during a period where you had a world cup and the festive season has just gone by, is it right that

most of it is on account of sports only?

Atul Das: Yes, a large part of that is definitely coming from sports. It is not the case

that compared to third quarter, our revenues on an ongoing basis have

increased by 9%, definitely not.

Punit Goenka: In fact, just to add a little bit there. Third quarter is what is usually the

peak quarter for us in terms of advertising revenue. Even if you look at the trending over several years, fourth quarter in absolute terms sees the

flattening or even a small dip over the third quarter.

Ricken Goppani: That is true. That is why I was wondering what exactly was different with

revenues this time.

**Punit Goenka:** Large part of that as Atul said is coming from the sports.

Moderator: Thank you. The next question is from the line of Nikhil Vora from IDFC

Securities. Please go ahead.

Nikhil Vora: Just one question. If you look at the standalone and consolidated numbers

for the last four quarters, there is a bit loss in Q1, Q2, Q3 and then that moves to a profit of around Rs 90 crore in Q4. Can you just explain the

variance?

**Punit Goenka:** Standalone, you are looking at?

**Nikhil Vora:** From standalone to consol. If I look at the variance in revenues and EBIT,

the revenues have actually come off to closer to Rs 173 crore in Q4, whereas the EBIT profit has actually moved to Rs 90 crore in Q4 against the

loss in the first three quarters.



Hitesh Vakil: On standalone basis, we were never in loss.

Nikhil Vora: No, the difference between standalone and consol? If I just look at Q1, Q2,

Q3, Q4, the difference between standalone and consol, standalone made more money on EBIT than consol did for the first three quarters. In Q4, standalone profit EBIT is around Rs 130 crore whereas the consol profit is Rs

219 crore. There is a Rs 90 crore difference here.

**Hitesh Vakil:** I think it would require a little bit detailed working.

Nikhil Vora: Could you just give a broad indication of what is it about?

**Atul Das:** We will come back to you, Nikhil on that. We do not have it immediately.

Nikhil Vora: Okay, thanks.

Moderator: Thank you. Our next question is from the line of Vikash Mantri from B&K

Securities. Please go ahead.

Vikash Mantri: Sir, actually, Nikhil asked my question. Can you just tell us what is the

difference between consolidated revenue and the standalone revenue, which all companies come additionally in consolidated revenue, so that we can figure out as to where the difference is coming from? Because if Ten Sports is making losses, it is more likely that this consolidated number should be lower than the standalone number. But they are considerably higher than the standalone numbers. So just wondering if you could help me

out on that?

Hitesh Vakil: Well, standalone is nothing but Zee Entertainment Enterprises Ltd. Rest all

subsidiaries are accounting for consolidated results.

**Vikash Mantri:** Sir, could you help us with few names?

Hitesh Vakil: All our international subsidiaries including Taj TV and US-based and UK-

based and Mauritius base entities.

**Vikash Mantri:** So majority of international revenues that come from abroad, subscription

revenues as well as advertisement revenues falls into consolidated?

Hitesh Vakil: Right.



Vikash Mantri: Okay. And sir, my second question would be that since we have a cash of Rs

1250 crore and if I were to look into your consolidated statement of assets and liabilities, we have Rs 319 crore under cash and we have Rs 697 crore under investments. So if I add this together, it gives me a figure of Rs 1016 crore even if I assume that the entire amount that is there has been put

either in cash or investments, there is still some shortage there.

Hitesh Vakil: Yeah, the 'loans and advances' also include some cash in form of inter-

corporate deposits to third parties.

**Vikash Mantri:** So how much that would be, if you could quantify that sir?

Atul Das: The cash is entirely cash obviously. Under investments, save for investments

of almost say Rs 50-60 crore, everything is cash equivalent and roughly around Rs 250 crore in loans and advances will be cash equivalent, which

are in ICDs.

Vikash Mantri: So Rs 250 crore is inter-corporate deposits?

Atul Das: Roughly.

**Vikash Mantri:** Okay. And sir, what would be the yield if you would share on such deposits?

Hitesh Vakil: On average 10% plus.

Vikash Mantri: Okay, thank you sir.

Moderator: Thank you. Our next question is from the line of Ankit Kedia from Centrum

Broking. Please go ahead.

Ankit Kedia: Sir, just wanted to know what has led to increase in the international

subscription revenues during the quarter?

**Punit Goenka:** It will be a combination of several markets that we are in globally, like

America is still a growing market. And also, the sports business would have

done well in the fourth quarter there as well.

Atul Das: It is not a dramatic increase as you can see from Rs 101 crore in the third

quarter, it has gone up to Rs 108 crore.

Ankit Kedia: But last five quarters it has been around Rs 100-101 crore?



Atul Das: Yes. We have done well in the Middle East also. And we have done well in

the US. Again, it is not a very dramatic increase, but it is a combination of

good performance in the international businesses.

Ankit Kedia: Right. My second question is regarding the tax rate. During the quarter that

has really come down significantly. So what could be the reasons for that?

Hitesh Vakil: We have mentioned it earlier also that on an annual basis, our tax rate

would remain at around 31-32% and we are today at around 31.7%.

Ankit Kedia: So going forward this 21% could be only the quarterly aberration and going

forward we could have at about 32% annually.

Atul Das: Yes.

Moderator: Thank you. Our next question is from the line of Pratish Krishnan from Bank

of America Merrill Lynch. Please go ahead.

**Pratish Krishnan:** I just want to clarify on the sports business. You did mention that in terms

of the losses, probably, you are looking at around Rs 80-100 crore loss. And in terms of the cost, maybe it would be lower than this year. Are you suggesting that in terms of the revenue line, you are looking at the growth in revenues in sports for next year despite having a good property this year?

Punit Goenka: That is unlikely, Mr. Krishnan, because as I said, sports business is so event-

linked and this last fiscal we have seen two large India property businesses.

**Atul Das:** Pratish, to add to that, there are two elements to the revenue stream - one

is advertising, one is subscription. So in subscription, obviously there will be a growth because we launched a new channel which will continue to deliver growth both on cable and DTH. But on the advertising as Punit was saying, it is event-led and therefore depends on what kind of properties are coming through. So obviously, next year we do not have a property which is equivalent of India-South Africa series which was there in FY11. To that

extent, the numbers will be slightly lesser.

Pratish Krishnan: Yeah, and I am just wondering in terms of for you to get the Rs 80 to 100

crore loss with the cost structure lower than this year, you need to have a

growth in revenue.



Atul Das: I probably have answered your question but beyond that we cannot go in

details.

**Pratish Krishnan:** Thanks a lot.

Moderator: Thank you. Our next question is from the line of Amit Kumar from Kotak

Securities. Please go ahead.

Amit Kumar: Sir, I know you have given a guidance of annual tax rate of 31-32%. Just

wanted to understand why was the tax rate so high in the first three quarters and what has changed in the fourth quarter to result in a decline to

21% effective tax rate?

Hitesh Vakil: The reason is fairly simple. In the first three quarters, there were lot of

mergers and acquisitions which were yet to be effected pending high court approvals and other stuff. All this were effected the moment we received

the orders. And as a result now we have a truly representative tax rate.

Amit Kumar: So are you saying that these mergers and acquisitions that you have done,

there were some tax credit on account of that? And on the sports side, I think this point was highlighted earlier during the call also that why the revenue piece that has gone up, but your cost has also declined by almost Rs 45 crore on a Q-o-Q basis while the number of cricket days were 10 in the last quarter and similar number in this quarter as well. So what is driving

this cost decline on a Q-o-Q basis?

**Punit Goenka:** Well, off hand I can tell you that the number of days of cricket is one thing

and there are so many other factors. Other events, other than the cricket, are also included. Q4 had only cricket this time and against that all the first three quarters, had cricket plus various other events, which have

represented in the cost.

Amit Kumar: Could you highlight besides cricket, what was the major event which led to

this sort of a cost increase in third quarter?

Punit Goenka: We have mentioned in our initial address also that there are a lot of other

properties. Right now, I do not have the detailed calendar with me.

Amit Kumar: Okay, I will touchbase with you offline on this one. Sir, on the HD

investment piece, I think there was some discussion on the Company



thinking about going for end-to-end HD as well. What sort of capex are you

looking at for that purpose in the coming years?

Punit Goenka: Well, it is not a huge capex. It is normally budgeted within our regular

capex that we budget which is between Rs 70-100 crore.

Amit Kumar: Fine, thank you so much sir.

Moderator: Thank you. Our next question is from the line of Ritesh Poladia from RBS.

Please go ahead.

Ritesh Poladia: In your consolidated balance sheet, your fixed asset is Rs 1958 to 1936

crore. So does that mean during the year we did not have any capex?

Hitesh Vakil: We had a normal Capex. There is nothing specific in this financial year. But

besides that there was also some dilution of the goodwill amount due to Zee

Learn.

Ritesh Poladia: But with the M&A happening in this quarter, I believe it would be goodwill

accretion and not decretion?

Hitesh Vakil: No, Zee Learn has been hived off.

**Ritesh Poladia:** Yeah, but you have merged the Taj to a greater extent and even your other

companies were also merged in this year?

Hitesh Vakil: Taj TV acquisition was largely in the last financial year.

Ritesh Poladia: Okay, so what would have been normal capex, say cash capex during this

year?

**Hitesh Vakil:** It is roughly around Rs 50-70 crore.

**Ritesh Poladia:** Okay. That is all from my side. Thank you.

Moderator: Thank you. Our next question is from the line of Vikash Mantri from ICICI

Securities. Please go ahead.

Vikash Mantri: Sir, on the other sales and services, we have a sudden dip from last quarter

to this quarter from Rs 33 crore to Rs 7 crore. What could be the reason for

that?



Hitesh Vakil: As I explained earlier, last quarter we had exceptional items representing

termination fees for football rights which was Rs 70 crore one-time.

Vikash Mantri: After adjusting for that I am saying.

Atul Das: That largely, Vikash, is on account of syndication sales which I explained

earlier. For sports rights, whenever there is an opportunity, we do syndication. Last quarter, there was some syndication opportunity. This quarter, we have not had any syndication. Therefore, the numbers are down. So on a regular basis, the larger items used to be syndication of sports properties and education business. Education business is not there. So the numbers will be minimal unless we do have some syndication

opportunities.

Vikash Mantri: If I may understand this, in the last quarter, the Rs 96 crore of revenues

that we had in sports had significant syndication revenues and also after adjusting for that, you have nearly doubled revenues in the sports business?

**Atul Das:** So what is your guestion?

Vikash Mantri: In the sports business, we gained Rs 96 crore of revenues and since we did

syndication last year, I should remove that portion to see that quarter's performance. So it would be nearly Rs 70 crore of sports revenue going up

to Rs 140 crore.

**Atul Das:** We may not be able to detail out the numbers in each head.

Vikash Mantri: I am just trying to understand this quarter without syndication revenues,

you have such a very strong quarter in terms of sports revenues, whereas last quarter, in spite of so much of syndication revenues, the number was

small?

Atul Das: Yeah.

Vikash Mantri: Okay, thank you.

Moderator: Thank you. Our last question comes from the line of Siddharth Goenka from

JM Financial. Please go ahead.

Siddharth Goenka: There is an exceptional item in your fourth quarter of around Rs 13 crore.

Can you just throw some light on that? What is it exactly?



Hitesh Vakil: It is pertaining to sale of investments at a loss. In fact, it is a part of the

bundle of investments that we had sold, part of which was sold in the first

quarter and the balance part was sold in the fourth quarter.

**Siddharth Goenka:** So which investments are these?

Hitesh Vakil: These are our investments in Asianet.

**Atul Das:** Siddharth, if you look at our first quarter numbers, we had done a sale of

investments in Asianet, but it was a profit then. Balance of shares whatever we had left with us, now we have sold them which is at a loss, so that is the

extraordinary item.

**Siddharth Goenka:** Sure, thank you so much. That is it from my side. Thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now

like to hand the floor back to Mr Kanwaljeet Singh for closing comments.

Kanwaljeet Singh: Ladies and gentlemen, thank you again for joining us. We hope to have the

transcript of the call on our web site, <a href="www.zeetelevision.com">www.zeetelevision.com</a> soon. We look forward to speak to you again at the end of the first quarter of fiscal 2012

or even earlier on a one-to-one basis. Thank you. And have a great day.

Moderator: Thank you. On behalf of Zee Entertainment Enterprises Limited, that

concludes this conference call. Thank you all for joining us and you may now

disconnect your lines.

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