



4Q FY2012 EARNINGS CONFERENCE CALL

May 22 2012, 1100 HRS IST

Moderator

Ladies and gentlemen, good day and welcome to the Zee Entertainment Enterprise Limited Q4FY2012 Results Conference call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kanwaljeet Singh from Zee Entertainment Enterprises Limited. Thank you and over to you sir.

Kanwaljeet Singh

Thank you Marina. This conference call has been organized to update our investors to the company's performance in the 4th quarter of 2012, 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 website www.zeetelevision.com. To discuss the results and the performance joining me today is Mr. Punit Goenka — Managing Director and CEO of ZEE along with the members of the senior management team of the company, including Mr. Hitesh Vakil — CFO and Mr. Atul Das — Chief Strategy Officer.

We will start with a brief statement from Mr. Goenka on the 4th quarter performance and will then open the discussion for question 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 into 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 on this.





Punit Goenka

Thank you Kanwaljeet. I would like to welcome everybody to this call and appreciate your joining the discussions on the results of the last quarter of fiscal 2012.

ZEE's advertising revenues during the quarter were Rs 4.15 billion, showing a decline of 12% yoy. In the corresponding quarter last fiscal, we had more cricket properties in sports which resulted in better advertising revenues. Advertising revenues on non-sports business have increased, though marginally. This is reflective of the overall weakness in advertising spends.

The total subscription revenues for the quarter were Rs 4.02 billion, registering an increase of 30% over the corresponding quarter last fiscal. During the current quarter, domestic subscription revenues stood at Rs 2.97 billion, while international subscription revenues were Rs 1.05 billion. Domestic subscription revenues are not comparable with the previous year numbers because Q4 FY12 numbers include an amount of Rs 506 million representing 50% share of net revenues of MediaPro when consolidated under joint venture accounting. This amount of Rs 506 million considered in this quarter pertains to nine month period from July 2011 to March 2012. Subscription revenues for the quarter from international operations are up by 1% q-o-q from Rs 1.04 billion in Q3 FY12 to Rs 1.05 billion in Q4 FY12.

On the cost front, programming & operating cost in the quarter was Rs 4.24 billion as compared to Rs 3.71 billion in the corresponding period last fiscal, an increase of 14% yoy. Employee cost has gone down by 6% over the corresponding period last fiscal. Selling & other expenses in the quarter were at Rs 2.09 billion, as compared to Rs 1.21 billion in the corresponding period last fiscal. Employee Cost and Selling and other expenses for the quarter are not comparable to the corresponding quarter of the last fiscal because Q4 FY12 numbers include costs on account of joint venture accounting of MediaPro for the period July 2011 to March 2012. Total costs incurred by the Company in this quarter were Rs 7.09 billion, an increase of 24% over the corresponding period last fiscal.

During the quarter, the Company's operating profit (EBITDA) was Rs 1.6 billion. The operating (EBITDA) margin for the quarter was 18%. The contraction in margins is due to higher investments in content and marketing to build the business. Excluding sports business, the EBITDA margin stood at 30%. Profit after tax (PAT) for the quarter stood at Rs 1.63 billion, representing a healthy PAT margin of 19%.

We continue to invest in Sports with a medium to long term perspective. We do expect losses to continue in the sports business for some more time to come but we are hopeful of seeing a much more improved performance









compared in fiscal 2013. The Sports losses during the quarter were Rs 589 million.

As of March 31st, 2012, the Company has a gross debt of Rs 12 million and Net Cash of Rs 11.1 Billion.

I would now like to cover the Business Performance.

During the quarter, Zee TV showed significant rise in GRPs averaging to 196 GRPs up from 158 GRPs in the third quarter, recording a relative share of 18.7%. The performance was better in the Weekday Prime Time band, where Zee TV recorded a relative share of 19.7%. The channel delivered a weekly average of 16 shows among top 100 shows during the quarter led by top rated fiction shows like Pavitra Rishta, Yahan Main Ghar Ghar Kheli, and Hitler Didi and the non-fiction show Dance India Dance - 3. Zee TV launched Punar Vivah in this quarter. The key shows to be launched in the forthcoming quarter include Phir Subah Hogi, DID Lil Masters and Sapne Suhane Ladakpan Ke.

The network's Hindi movie channel Zee Cinema averaged 131 GRPs during the quarter. The key properties of the channel during the quarter were Happy New Bollywood Film Festival and Zee Cine Awards Film Festival. The forthcoming quarter would see the launch of properties like B Se Big B Film Festival, Dopahar Zee Cinema Par Film Festival and premiere of Agneepath.

Zee Marathi delivered 174 GRPs during the quarter recording a relative share of 29% with 12 shows in the top 50 shows. The top shows in the quarter were Eka Lagnachi Dusri Goshta, Pinjara, and Foo Bai Foo. The quarter saw the launch of fresh and appealing shows like Eka Lagnachi Dusri Goshta, Uncha Maza Zoka and Madhali Sutti.

Zee Bangla delivered an average of 466 GRPs in the quarter ranking a clear second in the Bangla GEC genre recording a relative share of 37.7%. In the key Target Group of CS 15+ABC, Zee Bangla was the No.1 channel ahead of all competition. Also, Zee Bangla was also the No.1 channel in the Digital market during the quarter. Rashi, Keya Patar Nouko, Didi No.1 and Mirakkel Akkel Challenger 6 were the top rated shows during the quarter.

Zee Telugu averaged 317 GRPs during the quarter recording a relative channel share of 18.2% and ranking number one in Prime Time Non Fiction (Mon to Fri). Chinna Kodalu, Muddubidda and Pasupu Kumkuma were the top fiction shows on the channel during the quarter. Chittam Chittam Prayachittam and Luckku Kickku were the two top rated non-fiction shows across all Telugu channels. It also launched a new non-fiction show Neeku









Nenu Naaku Nuvvu in the quarter, which opened with a very good viewership rating. Zee Telugu also received three Nandi TV awards awarded by Govt. of Andhra Pradesh.

Zee Kannada averaged 254 GRPs during the quarter recording a relative share of 19.0%, driven by popular shows like Radha Kalayana, Parvathi Parameshwara, Panduranga Vittala and Yariguntu Yarigilla. This quarter also saw the telecast of the first edition of Zee Kutumba Awards, an award ceremony held to honor the excellence of the artists contributing to the serials, reality shows and other programs of Zee Kannada.

The key properties on our Sports channels bouquet during the quarter included telecast of India vs South Africa T-20 match, Pakistan vs England series, FIH-12 Olympic Qualifier. WWE continues to be a strong property attracting audiences as well as advertisers. The forthcoming quarter would see the telecast of cricketing events like West Indies vs New Zealand series and UEFA Champions Leauge. The sports business revenues in the fourth quarter of FY2012 were Rs 1.28 billion, while costs incurred in this quarter were Rs 1.87 billion. This quarter saw the launch Ten Golf, a dedicated 24-hours Golf Channel, and Ten HD, a premium sports offering in high definition.

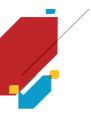
ZEE continues to dominate the International South Asian business globally with majority market share. Zee Variasi is a leading international channel among Malays in Malaysia. Zing continues to be the No 1 Music channel in UK within the South Asian audiences. Zee Aflam continues to be liked by the local Arab audiences. Another initiative undertaken by ZEE to further strengthen its international dominance is launch of Zee Cinema International in Indonesia, Myanmar & Hong Kong with English sub-titles. ZEE also received landing rights in China.

The Company launched another business in the New Media space, Ditto TV, in addition to India.com. While India.com is an advertising supported online model, Ditto TV model is subscription led. Ditto TV delivers LIVE TV & Video on Demand on Mobile, PC, Tablet and other internet-enabled devices; anytime, anywhere. It comes in the form of an application that sits on the connected device. Channels on offer include content from around 21 channels currently from partners such as Sony Entertainment Television, TV Today Network and the BBC.

In the quarter gone by, we have witnessed some gains in market share of key channels in our portfolio. We are confident that we would further gain market share through our planned content lineup and continue to grow our business profitability in a sustained manner. Media Pro, our joint venture for









subscription revenues, has performed pretty well and we are very confident of a robust performance going forward also. With the digitization mandate being passed, it will further be able to create value for the business. We have seen a robust sequential growth in our domestic subscription revenues. Also, 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.

Moderator

Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from Abneesh Roy from Edelweiss, please go ahead.

Abneesh Roy

My first question is on the subscription revenues. You said that MediaPro has done quite well, so you must have signed the initial deals for FY13 and now seeing the deadline also approach for compulsory digitization, could you give us some clarity on what kind of growth you are looking for FY13 and have the optimism levels for MediaPro and digitization increased compared to the last quarter?

Atul Das

On the MediaPro front one thing you have to keep in mind is that when we say that MediaPro formation has helped ZEE, it not only translates into what we have seen as the revenue for this year, but more importantly, it kind of gives us the optimism for the revenues going forward. So this year, as we have already said in the past, has been more of a continuation of the deals that have been signed earlier and therefore the better impact or the more visible impact would be seen in FY13. In FY13, full impact of all the deals renewed under the aegis of MediaPro will get fully reflected. So in that sense, yes, most of the deals that are getting renewed post formation of the MediaPro as a joint entity are better than, let us say, only Zee Turner was doing earlier. So that is one part of the question and the second is with the digitization impact. Yes, there is an amount of positivity on how things are expected to roll out in the first four metros, but in terms of the exact guidance as to what it basically entails for FY13 it will be more difficult because there is a whole lot of industry participants largely the MSOs and the DTH operators who have to really be up on the mark as far as the deadlines are concerned. So I think while everyone is expecting digitization to happen pretty much more or less in time, but the exact implementation could take a few months more than the expected deadlines. So it will be very difficult to pinpoint and give a guidance in the numbers, but I would suppose that there is an optimism towards the fact that digitization will happen.







Abneesh Roy

And the follow-up question to Media Pro is, are you facing any issue with your joint partner because this was the first year though is there something changing in terms of the formula and basically what was the reason for change in the accounting from net to gross?

Punit Goenka

As far as partnership is concerned I think it is going very well. Both the partners are working in tandem to make sure that Media Pro is a success, on accounting part I will ask Hitesh to answer.

Hitesh Vakil

Abneesh just to answer the accounting change it is just because of the guidelines we have decided to follow AS 27 and do joint-venture accounting. When we conducted the audit we realized that AS27 is more compliant to the company and then accordingly, we have decided to follow a joint-venture accounting. Up till now, in the first two quarters of MediaPro, we had done equity accounting and we had just done one line profit consolidation. But now that it is not the true reflection, what we have done is we have consolidated MediaPro line by line in compliance with AS 27.

Abneesh Roy

My last question is on the advertising front, non-sports advertising has seen some growth. So if you could give us more insights into which were the drivers and are we getting benefit of the improved ratings already or the improved ratings will obviously come with a lag in FY13 and any insights into the Tamil channel because of the change in the distribution landscape there?

Atul Das

Abneesh, on the advertising front yes, excluding sports the numbers have been pretty decent given the backdrop of weakness in advertising spends overall. We have seen some improvement in the ratings in the 4th quarter. Uptick in ratings will obviously reflect in better advertising revenues as we go forward and as you know, the overall macro ad revenue spend expected as of now for the fiscal FY13 as per us is in the zone of 8 to 10% unless things improve further. So we should hopefully be doing slightly better than that if our market share continues to be strong.

Abneesh Roy

Will it be back ended 8 to 10%?

Atul Das

Again it is the combination of the market scenario, as well as our scenario so very precisely, it will be difficult to say, but since in the advertising cycle the 3rd quarter would obviously be the larger part of the gain in terms of the seasonality factor so it could be slightly on the back ended side.

Abneesh Roy

Okay and the Tamil part?









Atul Das On the Tamil part, it is an opportunity which is there and we wish to at least

make an investment to ensure that we are also in the running for additional market share in the Tamil genre. So that is where I will leave it right now.

Moderator Thank you. The next question is from Nitin Mohta from Macquarie, please

go ahead.

Nitin Mohta My question was on the MediaPro JV. You have obviously quantified the

impact of the top line but if we can understand going forward what kind of margin impact would it have just in terms of because the reported numbers

this quarter has a very high selling and distribution cost component?

Hitesh Vakil Media Pro works on a very thin margin. So impact in that sense would be

very negligible, but yes it has its own line by line impact so each cost head

will have some impact on account of the MediaPro share.

Nitin Mohta If I understand this correctly, your reported selling distribution cost for the

quarter was 154 crores. Even if I were to exclude the top line component for MediaPro the selling distribution is very high for the quarter, if I can

understand what exactly was driving that?

Hitesh Vakil Well it does not include only MediaPro, existing business also has its own

share, particularly Zee TV and Zee Cinema. We have increased our marketing spends since we have launched new shows. We had Zee Cine Awards this quarter and various other high cost movies that we showcased. As a result there has been an increase in the marketing cost. A few other aspects of the

selling expenditure have added to the rise in cost as well.

Nitin Mohta And the second question was on the sports side now, obviously for the full

year we have clocked an EBITDA level loss of about Rs. 1.4 billion. I didn't get Punit's comments on it but is there a number that you want to kind of cap

our losses at in fiscal 13 or fiscal 14?

Punit Goenka Fiscal 13, our expectation of loss is in the range of about Rs 65 to 70 crore.

Moderator Thank you. The next question is from Pawan Singh from IL&FS, please go

ahead.

Pawan Singh Could you just give me some clarifications on the non-sports advertisement

revenues?

Punit Goenka Pawan, what clarity would you like on that?

Pawan Singh Some guidance on that heading forward?







Atul Das

Unfortunately we will not be able to give that guidance in that manner as we have specified, that there is a back drop of the ad spends in the industry, which is expected to be in the 8 to 10% zone as we are sitting today. It may change for the better or worse as we go into the next fiscal. So that is one back drop and we are doing slightly better than the last fiscal as far as the market share is concerned, therefore there would be some gains over the market growth rate. That is where we can leave it right now.

Pawan Singh

Okay the next question is , you said that the operating margins have maintained at 18% and there was some stress due to higher marketing and investments in content so can you give some guidance on that or you would be maintaining?

Atul Das

Operating margins are not maintained, it has seen some fall as relative to either fiscal 12 or relative to 4th quarter of last year, so the reason why it has dropped is investment in content and marketing and our investments in content and marketing is expected to continue into the next fiscal. The only difference would be that higher losses on account of sports which has been much higher this quarter may not continue as Punit just said a little while back, so that is the difference in two parts as far as the margins are concerned.

Pawan Singh

So can we just assume that the margins would be under some stress due to marketing and investments in content?

Atul Das

Yeah, there will be some pressure initially till we see the monetization of our investments that have started largely in this quarter.

Moderator

Thank you. The next question is from Shobhit Khare from Motilal Oswal Securities Limited, please go ahead.

Shobhit Khare

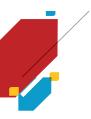
What is the status on the TRAI's quality of service recommendation on advertising? Has it already being implemented and how will it impact the industry ad growth, especially given that ad environment is slightly weak and taking price hikes could be challenging etc., so some color on that? Second is has there been a change in the FOREX accounting and is there any impact because of this on the reported EBITDA?

Punit Goenka

Shobhit for your first question on the TRAI recommendations on the advertising cap, firstly, let me clarify that TRAI has no jurisdiction over trying to mandate something like this. It is a matter for the Ministry to actually do something on mandating what should be the advertising cap etc. Nevertheless if advertising inventory is reduced, it will benefit the industry overall because lesser the inventory, better the value people will be able to









derive from that. Given that fact, we do not know if this will actually come into effect. I am still hopeful that any reduction in inventory would only benefit the business in the long term or medium to long-term but I do not see that to be impacting.

Hitesh Vakil

On your second question, under revised Schedule VI guidelines, we are now required to book all FOREX losses or gains under the head other income. So, earlier a transaction or an export realization was getting clubbed above the line under other sales and services and any FOREX loss on transactions, was booked as a finance cost. Now all these are removed from the respective head and are taken to other income. As a result, you must have observed finance cost of this quarter is showing a negative cost of about Rs.21 crores, that is the reason.

Shobhit Khare

Right, just a follow-up on this TRAI thing, how is this going to pan out? What is the process going forward, how the industry is tackling this is?

Punit Goenka

As the industry body is taking this matter up with the Ministry and I think the way it will play out is it will be in sync with the digitization that is going to take place as digitalization improves, the advertising inventories will come in line with what is there in the cable act today.

Moderator

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

Vikash Mantri

Thank you for the opportunity, just wanted to understand our sports losses, are there any new initiatives that we have taken which have contributed to the loss and what could that be quantified to?

Punit Goenka

Vikash, as I mentioned little bit early that we have launched Ten Golf and Ten HD, these two new channels have contributed to some part of the losses, apart from that we have had FOREX losses in the 4th quarter which have accounted for our losses, going beyond what we have guided earlier during the year.

Vikash Mantri

But those FOREX losses would be below the EBITDA line?

Hitesh Vakil

This is the translation loss, which is simply getting added into the cost.

Vikash Mantri

Hitesh Vakil

So given more cricket comes up in the next year and rupee stays this way we will have heightened cost for the next year as well?

Yeah, we will have to factor that.









Vikash Mantri In terms of the loss guidance in sports of 60 to 65 crores now our cricket

calendar for next year is significantly heavier than what we did this year, so what helps us in telling that our losses will significantly reduce, can you give

us some insight?

Punit Goenka It is not actually significantly heavier, if you look at India Cricket, we have got

only one series in the coming year.

Vikash Mantri And we had only India West Indies in the previous year so?

Punit Goenka Correct. So this year also we have only India versus Sri Lanka.

Vikash Mantri But if you look at the non-India, we have a very heavy calendar with West

Indies - New Zealand, Pakistan - Australia, Zimbabwe- Bangladesh, Sri Lanka-

New Zealand and so on and so forth?

Punit Goenka That is factored into what the guidance was given Vikash.

Vikash Mantri But can I get a broad idea of what kind of cost increase can we factor in the

sports business because of the cricket calendar that we have?

Punit Goenka Vikash, we don't give out revenues and cost guidance on our sports

business.

Moderator Thank you. The next question is from Siddharth Goenka from JM Financials,

please go ahead.

sports business for 4Q and FY12?

Atul Das Siddharth, we do not break out advertising revenues separately as you

know. What we can definitely help you understand in the business is that the advertising revenue on a like-for-like basis if we exclude sports has been better than last year. So we are doing reasonably well, given the fact that the overall advertising spend has been weak. I will not be able to give you

specific numbers in terms of what is the non-sports growth.

Siddharth Goenka But given that there has been a slowdown pressure and during most of the

year we have been having a problem of loss of channel share. So and plus apart from that there was an ad spend pressure also so can we say that it has been better what I mean, we have maintained a single digit growth. Any

sense if you can give us?

Atul Das Yeah, it is marginal, I would not say it is close to the double-digit but it is

marginal, but the fact is that even a marginal growth I would say is







commendable given the fact that till last quarter, or even till mid of this 4th quarter we were experiencing some market share losses, which we have gained at the end of the quarter.

Siddharth Goenka

On the domestic subscription revenues even if we remove the 51 crores of MediaPro as revenues, we are still reporting revenues of around 250 crores which is the sequential jump of more than 10%. So what has contributed is it the DTH revenues which have contributed to that growth or the non-DTH part?

Atul Das

We don't split out the DTH and the cable revenues since the MediaPro joint venture has been formed because we don't get the revenues in that manner so in that sense we have a constraint. But overall domestic revenues is what we now definitely report and that is seen some good amount of traction even if you remove the adjustment that has happened in the last quarter.

Punit Goenka

We can tell you that both the segments are contributing to the growth.

Siddharth Goenka

And my last question is on the other income, even if we adjust for that FOREX loss into other income, our other income is still very-very high at around 51 crores. If we were to adjust it on the negative side, our actually interest finance cost is just 2 crores and other income could be to the tune of around more than 70 crores. So what is the reason for such a high jump in this other income?

Hitesh Vakil

No-no, as I explained earlier, all the FOREX gain on export realizations which were earlier used to be accounted as other sale and services is also removed and adjusted against the other income. So about Rs. 21 odd crore which used to earlier get captured as sales and services is also removed from sale and services and adjusted in other income. If you do that adjustment then you will find that it is all a normal trend, no doubt the other income has increased, but it is all in line.

Siddharth Goenka

But then the others in sales and services also have seen a strong jump. What is being the reason for that?

Hitesh Vakil

It is because of the sport syndication that we have done in this quarter. So it gets compensated there and it doesn't come out but otherwise if you look at it our operating profit has been lower by about 21 crores because of this accounting change.

Moderator

Thank you. The next question is from Anubhav Jain from Irevna, please go ahead.









Anubhav Jain My question is regarding the big-ticket movies, which we premier, requiring

the amortization policy sir, as Don 2 was premiered in the last quarter, so

how have we amortized in the gross part sir?

Hitesh Vakil Amortization is done over the life of the right, so we continue to amortize

even if it has not been showcased. Say any movie for that matter, if it is a

five-year right, it will get amortized over five years.

Anubhav Jain Okay, it was premiered in the last quarter so for the full year the effect has

been taken?

Hitesh Vakil No, it is month by month. It is amortized over 60 months equally.

Moderator Thank you. The next question is from Arjun Khanna from Principal Mutual

Fund, please go ahead.

Arjun Khanna My question is in terms of the carriage fee that you pay out, you did

mention that the placement fee was higher for this quarter, we just want to understand going ahead in this digitized environment, how do we see that

panning out, would it increase or decrease from these levels?

Punit Goenka In the short-term, Arjun, the carriage fee will start to decline but it will not

completely get eliminated but over a mid to long term period, yes the

carriage-fee should come down.

Arjun Khanna Are we looking at a 50% reduction?

Punit Goenka Difficult to give you a percentage but we are still just at the anvil of the

digitization taking off in the four metros. We will have more color on this

maybe in the next couple of quarters.

Arjun Khanna My second question is just to understand like we did earlier when DTH was

launched, we did give them some sort of forbearance in terms of lenient fixed fee deals just to get that digitization on track because it would lead us to a better subscription revenue over the longer term. Is that something we are exploring with the new digitization system that is going to be launched?

Punit Goenka It is still early to say. We are in discussions with the large MSOs and the

smaller operators as well, both models are being talked about, there would be fixed fee deals or cost per subscriber deal but things will pan out in the

next couple of months, in a clearer way.

Arjun Khanna Sure, I understand these are early days. Just to understand the broadcaster

share, we understand that the MSO's would keep 65% of the paid revenue

than our share would probably be out of that. Given that DTH is roughly







between 35%-40%, are those the levels that we are comfortable with as our share of revenue?

Punit Goenka The ways the pricing has been done is same as DTH, it is 42% to the

broadcaster for the RIO but if we start getting into the fixed fee deals and CPS kind of deals the RIO pricing is irrelevant but if the MSO or cable operators want our channels on a RIO basis they have to pay us 42% of the

RIO rates.

Arjun Khanna Sure, RIO was of the price of the bouquet, it has nothing to do with the

revenues that they are charging?

Punit Goenka Yeah, it is the price of our bouquet.

Moderator Thank you. The next question is from Aashish Upganlawar from Spark

Capital, please go ahead.

Aashish Upganlawar Just wanted to understand on the TRAI restriction that has come, is it going

to be implemented and challenged or the broadcasters are going to wait

before the final verdict from I&B Ministry comes?

Punit Goenka Which TRAI guidelines are you talking about?

Aashish Upganlawar Sir, this restriction of 12 min per hour on the advertising?

Punit Goenka I think the IBF is going to challenge this.

Aashish Upganlawar Okay so till that time there will be no implementations.

Punit Goenka Our view is that TRAI has no jurisdiction in even mandating something like

this. This is something that the Ministry has to do if at all. Therefore the IBF

will be challenging this very soon.

Aashish Upganlawar Sir, incase that it gets implemented probably so in the year that it gets

implemented, how much of a hit that means because rates can't be

increased by that quantum probably?

Punit Goenka That is your belief, I believe that any inventory cut will result in a rate

increase.

Aashish Upganlawar Okay to the tune of even 30%-40% kind of absorption can the advertisers

take in this environment, probably?

Punit Goenka I can't give you the percentage but it will definitely be larger than the

percentage cut in the inventories.







Aashish Upganlawar Okay and seeing on this MediaPro 50 crore of top line, what kind of

expenditure has gone into the expense heads corresponding to this?

Hitesh Vakil As I mentioned earlier, MediaPro operates on very thin margins and so

actually the same amount of expenditure with very negligible profit.

Aashish Upganlawar Okay so that mostly comes into the other expenses line.

Hitesh Vakil Various heads, it has gone into the all the heads, personal cost,

administrative cost and all.

Moderator Thank you. The next question is from Pratish Krishnan from Antique Ltd,

please go ahead.

Pratish Krishnan My question is from the new initiatives you have India.com and Ditto TV. Is

it possible to quantify the amount of investment you have done in this quarter and any road map in terms of what you are looking at for the next

year?

Punit GoenkaOur investments in the last fiscal have been to the tune of about 45 crores

and we do expect a similar amount of investment in this next year as well.

Moderator Thank you. The next question is from Bijal Shah from IIFL, please go ahead.

Bijal Shah Continuing on the question on investment, we are looking at probably

launching the content in several new geographies and just also if you could brief us on what are plans for Tamil channel launch or probably revamping or increasing spend on Tamil. So overall how much cost at the EBITDA level we are likely to incur on this new initiatives and the Rs. 45 crore which you mentioned, you are talking about investments in terms of capital

expenditure or it is in terms of EBITDA losses incurred during the year?

Atul Das On the new initiatives, I think let's classify these initiatives in the

international market and some initiatives in the domestic market. Some of those initiatives have actually been already launched and will continue investments in fiscal 2013. Investments in new media include Ditto TV and India.com. We have launched a few new channels including the HD channels, so currently we have 4 HD channels including Zee TV, Zee Cinema, Zee studio and Ten, and then we have launched the Ten Golf channel. So these are the some of the new initiatives which have already come through in this year but we will see the impact of the full fiscal coming in to the next year. Then as you rightly highlighted there are some initiatives in the international market and those will be largely to tap into newer audiences or newer markets for our content. So, initially as you know we have expanded coverage largely to international markets and tapping the Indian audiences









but in the recent history we have seen a very good success in trying to take our content to the local audience in several markets. So one of the initiatives will relate to localizing our contents in some of the markets that we operate and therefore we see a far more significant jump in the advertising revenues because once you reach the local audiences, mass base increases and it can help to generate advertising revenues. There has been an earlier model, we largely have subscription based model because we were reaching to niche Indian audiences across the world but since now you are going into the mass base audience you need to spend more on marketing and distribution and that will result in some investments. We can't give very specific details in terms of the actual geography or actual business till we announce it and obviously then we will let everyone know but broadly these are the things which I can talk about.

Bijal Shah

So overall in terms of investments as Punit pointed out it will be around 45 crores, is that the number we should go with as of now?

Atul Das

I think, Punit, if I may take the liberty, we can't be very precise on that number. I think, Punit just gave a very broad guidance; it could even be higher than that number because in case of new investments the timing of the launch and scale of the launch can differ based on how we finally take it during the year. So it will be very difficult to be very precise on that term but yes it could be in the region of let's say 50 to 100 crores also.

Bijal Shah

Okay and that is you are talking about at an EBITDA level, how it will impact?

Atul Das

Yes, that's the EBITDA level impact.

Bijal Shah

Okay second question is on sports losses, as you mentioned that there is around 21 crore of income which was earlier part of other sales has been reversed during the quarter and it has been reclassified as another income. Is this reclassification in any way impacting sports losses, so my question is, is sports losses on account of this reclassification higher for the quarter than actually they are?

Hitesh Vakil

Some portion of it definitely is there but I can't really quantify it.

Bijal Shah

Okay sir, save for that TEN Sports losses would have been slightly lower to that extent?

Hitesh Vakil

To that extent, yes.

Moderator

Thank you. The next question is from Amit Kumar from Kotak Securities,

please go ahead.









Amit Kumar Sir, my first question again pertains to TEN HD and TEN Golf launches, would

it be possible to quantify the start-up or launch expenses of these channels

in the particular quarter?

Punit Goenka I'm sorry Amit; we don't break that up and give.

Amit Kumar Okay not a problem. These channels are present in the standalone, I mean;

these channels have been launched in the stand-alone entity or in few of the

subsidiaries essentially?

Punit Goenka It is under subsidiary largely.

Amit Kumar Both of these?

Atul Das Yeah.

Amit Kumar Which of the subsidiaries if you could please tell us?

Hitesh Vakil Taj Mauritius.

Amit Kumar Both of these are in Taj Mauritius, fair enough. Sir, I'm sort of struggling to

understand this 65 -70 crores loss guidance that you have given because just on these two channels, I'm sure there will be some start-up and launch expenses in this particular quarter but it is difficult to believe that at least these two channels will become profitable during the course of the year and given that losses in these channels would be incremental which means that we are saying that in the current sport channels that we have, losses will reduce substantially next year but all the operating metrics don't seems to be pointing in that direction including the rupee depreciation which is going to result in a higher rupee cost of content essentially so just not entirely on

board on this sports guidance essentially?

Punit Goenka Amit, you are missing one big metric of what our revenue targets are.

Amit Kumar Okay so could you give us some color on that?

Punit Goenka See, subscription revenue as we have been saying in the past as well, is one

driving the growth in the sports business and as that revenue stream grows and becomes more robust it will start contributing to the reduction in the losses of the sports business and we continue to believe in the growth of

that, therefore we are continuing to invest in the sports business.

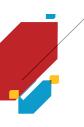
Amit Kumar So are you assuming some sort of a positive contribution from digitization

for the sport business also this year because the timing seems to be a bit

uncertain on that side?









Punit GoenkaNo, obviously, I mean, digitalization is applicable for all genre of content and

it will include even in the sports business.

Amit Kumar All right. My second question pertains to, I am looking at this on a full-year

basis, your total other income excluding one-off is about 1.2 billion on an average cash balance of about 11 billion, I mean that despite the high interest rate environment, the effective yield of more than 11% seems to be a bit on the higher side. I presume that you are not investing in risky assets?

Punit Goenka You are saying that we are doing a bad job by doing higher returns.

Amit Kumar Higher returns are fine but this seems to be a bit of supernormal returns, I

mean, certainly there are no equity assets or any capital risk in this

essentially. Could you please just explain this broad point?

Hitesh Vakil Rest assured our investment policy don't permit risky investments. We are

putting money by and large into debt funds, liquid funds and commercial

papers.

Amit Kumar In this particular quarter, is there any FMP (Fixed Maturity Plans) impact

also?

Hitesh Vakil Everything is valued as per mark-to-market and clearly there is no unrealized

gain booked.

Amit Kumar No, I'm not saying any unrealized, actually in case of FMPs you have

excessive realized gains during the quarter?

Hitesh Vakil All realized gain is booked under other income.

Moderator Thank you. The next question is from Rohit Dokania from B&K Securities,

please go ahead.

Rohit Dokania I'm just wondering, Punit gave the figure of 45 crores, does it include the

losses from the sports channels that we have launched or it excludes the

losses, that particular 45 crores?

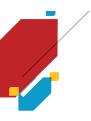
Punit Goenka No, that doesn't include the sports business at all.

Rohit Dokania Okay and sir, the second question would be actually, just looking at the DEN

Network results and they have reported a (+8) crores of EBITA from MediaPro from a 25% stake that they hold which means if you were to do a 50% stake and adjust it to nine months, our EBITDA from probably MediaPro this quarter could be in the range of 11 to 12 crores. Is that right figure that









am looking at or it is far lower than the 10 to 11 crores that I just spoke about?

Hitesh Vakil I don't want to comment on how DEN accounts on MediaPro but we have

done a joint-venture accounting and net revenue has been booked.

Rohit Dokania And just one last question, your domestic subscription revenues has grown

by about 21% on year-on-year basis and if I adjust that for the change in accounting for MediaPro would have grown by about 27% to 28% in FY12 and you have also commented that the real growth would be seen in FY13 onwards. Is it possible for you to quantify any kind of numbers plus-minus 5%, what would be the growth in the subscription revenues from in FY13?

Rohit Dokania I was just saying that the domestic subscription revenues front on an a like-

to-like basis has grown by about 27% to 28% excluding the 51 crores from MediaPro for FY12 and you also commented that it would actually be better going forward. So could you at least tell me whether the growth would be in upwards of the 27 to 28% or any ballpark figure on that would be really

helpful?

Atul Das I am not able to place the 27%-28%, the domestic subscription revenues on

a full-year basis?

Rohit Dokania Yeah, on a full-year basis?

Atul Das Including I think that the adjustment of 50 crores is about 29%.

Rohit Dokania Yeah, so if you exclude that it is about 21%?

Atul Das So I think that from next year perspective we are hoping of a good growth in

revenues, quantification of that in terms of how much will it be in terms of percentage would be still difficult but it would definitely be in double digits is what I can say. To be more precise whether it will be upwards of 20% will be very difficult to say but mid double digits is something that we can

expect.

Moderator Thank you. The next question is from Vikash Mantri from ICICI Securities,

please go ahead.

Vikash Mantri Sir, can you just outline the investments that we are doing in terms of our

core GEC channel in terms of new programming and the two new programs $% \left(1\right) =\left(1\right) \left(1$

that we talked about, are they replacements or addition of new hours?

Punit Goenka The two new shows that I have just talked about are replacements shows

both Punar Vivah which is at 10:30 PM and DID Little Masters which







replaced DID Season 3 but as I had said in my last call and various interactions as well, we will be taking the original hours of content on Zee TV to about 35 to 36 hours within the next 3 to 6 months itself.

Vikash Mantri Okay and we have already tried to look at these programs or they are in the

pipeline in the next 3 to 6 months?

Punit Goenka If we are launching them in 3 to 6 months, they are already on the

production.

Vikash Mantri Just clarify that they are not subject to environment?

Punit Goenka No, as Atul also mentioned that we are going to continue to invest in

content and marketing irrespective of the environment.

Vikash Mantri And the same is true for our movies library?

Punit Goenka What do you mean by that?

channels?

Punit Goenka Yeah, I think for the current year we have already acquired whatever lineup

we had to, there are not many new releases available for the current fiscal

but we will be buying for the future.

Vikash Mantri So our competition Star has launched a new movie channel, MoviesOK to

increase their channel count in movies. Do we intend also to launch more

movies channels going forward?

Punit Goenka We don't follow what competition does.

Vikash Mantri I agree with that, I'm just asking do we have plans for more movie channels?

Punit Goenka Nothing in the pipeline as of now, Vikash.

Vikash Mantri Sir, coming back to the sports losses again, clearly if I am to look at our

performance vis-a-vis guidance, we guided for 100 crores in FY11 ended up with 200 plus crores, in FY12 we guided for 100 and ended up with 148 so those errors in projections that we did because of our assumption have we corrected that in making the 65-70 crores guidance and should I expect that

we would not deviate this time?

Punit GoenkaI think, we should look at the perspective that almost 25-28 crores of that is

FOREX which one cannot calculate from the 148 that we have talked about.

So our guidance was not that off in terms of our calculations.









Moderator

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

Abneesh Roy

One follow-up question, Atul said that for international markets you plan to look at localized content so does it mean that you would do say Afghani content or it will be basically Hindi content into a Afghani that will continue, some clarity on that?

Punit Goenka

We are going to start investing in to localized content definitely in these markets. We have seen success in both our Malaysia content as well as our Arabic channel that we have launched. There is a new channel that we have been contemplating this year in an international geography and therefore it will be a combination of both localized content as well as what we produce here.

Abneesh Roy

And this will be limited to a few markets only, how big is the opportunity and are we doing a staggered addressing of these opportunities?

Punit Goenka

I think the opportunity is big but to quantify it is still early days. We have just entered these markets and it is something that we are going to experiment and come back to you guys as to what our success ratio is going to be.

Moderator

Thank you. The next question is from Swati Nangalia from IDFC Securities, please go ahead.

Swati Nangalia

My first question is for our core broadcasting business. Punit, you mentioned that we have seen an improvement in our weekday or primetime GRPs, on a quarter-on-quarter basis our core content has not seen a significant change. So just wanted to get your thoughts and what has really led to this viewership increase is it to do with the competition slowing down or is it significantly led by higher placement or carriage cost which we have paid so how should one look at this?

Punit Goenka

I think our shows have definitely improved Swati if you look at the newly launched shows like Punar Vivah and Phir Subah Hogi, in this quarter itself we have seen traction on those slots. We have seen a growth of over 50% some of the slots over what they were averaging three months back. So it is a combination of both weekdays and weekends that has delivered this growth in terms of viewership. It is nothing to do on account of higher placement but definitely to do with higher marketing spends.

Swati Nangalia

The second question is related to this sports income now, we have booked some amount of syndication income could you please quantify the same and is there a corresponding cost attached to that which we booked in the current quarter?









Hitesh Vakil Sorry Swati we do not give itemized breakups. But, yes it has a significant

impact on syndication, there is no cost attached to it beyond what has

already factored. There is no specific syndication cost.

Swati Nangalia I understand you cannot give us the figure exactly but just wanted to

understand the other sales and services which has seen over 40 crores increase on a sequential basis, that could probably not be a recurring

income which we could see going forward?

Hitesh Vakil It would be event lead definitely, but it may not be a recurring income.

business you have increased costs and therefore the cost is reflected in the quarter but also there are opportunities for syndication in the markets and therefore the revenues on syndication reflect in other sales. So if in the next quarter, let us say that the revenues may not be of the same quantum or on the same magnitude on the syndication but so will correspondingly be the

cost difference so it kind of has corresponding impact.

Swati Nangalia I understand essentially it is in the same quarter, in Q4 there may not be a

cost attached so I understand it could be back ended?

Atul Das In Q4, there is a cost attached. So there is a sports costs which is there in Q4,

but it is not like there is a cost attached to the syndication revenue, there is a cost that you have acquired of the rights, there are opportunities in some cases of syndication revenue, and that you utilize whenever such opportunities arise. The interpretation is different, there is a cost but it will

not attach to syndication revenue.

Swati Nangalia All right and lastly is one last thing on the other income, you have clarified

that it is the FOREX impact of 44 crores that is 23+21, I believe that there is some amount of interest credit which we have got for our income tax

refund, has that been booked in the current quarter in the other income?

Hitesh Vakil Yeah that is part of Other income. It is the interest income.

Swati Nangalia Yes, that will again not be a recurring income which really get in the next

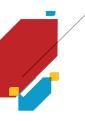
quarter so could you give us the amount for that? How much is the quantity

and how much is the amount we have got back?

Hitesh Vakil Not able to give you that data.

Swati Nangalia All right.







Moderator Thank you. Ladies and gentlemen, and due to time constraints that was the

last question. I now hand the conference back to Mr. Kanwaljeet Singh for

closing comments.

Kanwaljeet Singh Thank you Marina. Ladies and gentlemen, thank you for joining us and we

hope to have the transcript of the call on the website www.zeetelevision.com soon. We look forward to speak to you again at the end of the 1st quarter of fiscal 2013 or even earlier on a one-to-one basis.

Thank you and have a great day.

Moderator Thank you very much. Our behalf of Zee Entertainment Enterprises Ltd that

concludes this conference call.

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



