

Zee Entertainment Enterprises Limited

2Q FY2011 EARNINGS CONFERENCE CALL OCTOBER 29 2010, 1400 HRS IST

Moderator:

Ladies and Gentlemen, Good Afternoon. This is Rochelle, the Chorus Call conference operator. Welcome to Zee Entertainment Enterprises Limited's Q2FY2011 Results Conference Call. As a reminder all participants will be in listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call, please signal an operator by entering "*" 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. Rajesh Pal of Zee Entertainment Enterprises Ltd. Thank you and over to you Mr. Pal.

Rajesh Pal:

Thank you Rochelle. 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 second quarter of fiscal 2011 and to share with you the outlook of the management of Zee Entertainment Enterprises Ltd. We do hope that you have had the chance to go through the earnings release and results, both of which have been uploaded on our corporate website, www.zeetelevision.com.

To discuss the results and performance, joining me today is Mr. Punit Goenka, Managing Director and CEO of 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 and Business Development.

We will start with a brief statement from Mr. Goenka on the second 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 Rajesh. I would like to welcome everybody to this call and appreciate your joining us for the discussions of the results of the second quarter of fiscal 2011.

Let's begin with details of some of the key financials for the quarter, which should give us a clearer picture of the financial performance. The numbers during the second quarter of fiscal 2011 include financial results of regional, general entertainment channel business acquired from Zee News Ltd. with effect from January 01, 2010. 9X business undertaking of 9X Media Pvt. Ltd. and ETC Networks Ltd. were also merged with the company with effect from March 31 2010. Hence the numbers for this quarter are not comparable with those of the corresponding quarter last fiscal.

ZEEL's advertising revenues were Rs. 4.1 billion, an increase of 66% as compared to the corresponding quarter last fiscal. Advertising revenues continue to show robust increase attributable to a good operating performance across the network in a buoyant macro environment. The subscription revenues for the quarter were Rs. 2.7 billion registering an increase of 12.4% over the corresponding quarter last fiscal. During the current quarter, domestic subscription revenue stood at Rs. 1.7 billion, while international subscription revenues were Rs. 989 million. Revenues from domestic DTH operators were Rs. 787 million as against Rs. 710 million in the first quarter of fiscal 2011. Subscription revenues from international operations declined by 2% and subscription revenues from domestic cable increased by 7.5% as compared to the first quarter of fiscal 2011.

On the cost front, total expenses incurred in this quarter were Rs. 5.2 billion, showing an increase of 34% over the corresponding period last fiscal. The programming and operating costs were Rs. 3.5 billion, an increase of 55% on year-on-year basis. Employee cost increased by 46% over the corresponding period last fiscal. Selling and other expenses were Rs. 1.1 billion, indicating a decline of 8% on year-on-year basis.

The company's operating profit for the quarter stood at Rs.1.9 billion, an increase of 25% over the corresponding period last fiscal. Operating profit margins stood at 26.5%, finance expenses during the quarter were Rs. 5 million, sharply down from Rs. 84 million in quarter two fiscal 2010.



Profit before Tax stood at Rs. 2.1 billion, while Profit after Tax before exceptional items was Rs. 1.3 billion, representing an increase of 26% and 14% respectively, over the corresponding quarter last fiscal.

I would now like to cover the business performance.

The Indian media industry continues to witness buoyant growth across platforms. A good consumption story in India is driving robust growth in media businesses. While advertising expense continued to rise in India fuelling healthy growth for all media platforms, including television, a bigger driver of positive change is the wholehearted adoption of digital distribution technology, largely DTH, by the consumers across the country. This is the big game changer for television business in India and would create some sustainable business model for the industry. During the six months ended September 2010, India added 5.3 million digital homes on DTH alone and the DTH subscriber base has gone up to 26 million.

As far as Zee is concerned, the network's flagship channel Zee TV continues to have a leading share in Hindi general entertainment genre with an average weekly channel share of 22% and average weekly Gross Rating Points of 237. The performance was even better in the *All Day Prime Time* band, where Zee TV averaged 152 GRPs during the quarter. The channel delivered an average of 27 of the top 100 weekly shows in the quarter. A key highlight of the quarter was the grand finale of *Dance India Dance Lil Masters*, which was a huge success with a rating of 5.4.

This quarter saw the launch of SaReGaMaPa Singing Superstar and Sanjog Se Bani Sangini. Pavitra Rishta, Jhansi Ki Rani and Yahan Mein Ghar Ghar Kheli were the top rated shows on Zee TV during the quarter. In the forthcoming quarter, Zee TV has planned a lot of new launches and the festive period would be lined up with events to enhance the celebratory mood and increased sampling of the channel. The focus would also be to expand the original hours of programming. The key shows that would be launched in the forthcoming quarter are Ram Milaaye Jodi and Dance India Dance Doubles. In addition, the key events planned in the next quarter are Action Replay and Zee Rishtay Awards.

The network's Hindi movie channel Zee Cinema averaged 131 GRPs during the quarter translating to an average weekly channel share of 25.3%. The cinema genre for Zee Network contributed to 31% market share. A key



programming initiative of the channel was *Dil to Bachcha Hai* - an 8-week long festival of the best of Disney's animated films like *Alladdin*, *Cars*, *Finding Nemo*, etc.

Zee Café, the network's English entertainment offering has a genre share of 18%. The key highlights of Zee Studio during the quarter were *Single Break Movies*, *Godfather Saturdays*, *and Premiere movies*. Zing and ETC produce over 2.5 hours of Bollywood content per day now.

The key highlights of the quarter for Ten Sports were India-New Zealand-Sri Lanka ODI series, India Sri Lanka Test Series, US Open Tennis, etc. Ten Sports was the number one channel with 49% share of sports viewing during the quarter. The key properties of Ten Action included LA LIGA- Spanish Football League, SERIA A-Italian Football League and C2K Countdown 2 Kick-off. In the next quarter, our new channel Ten Cricket would telecast the popular cricketing events like Pakistan v South Africa and South Africa vs. India series. The sports business revenues in the second quarter of fiscal 2011 were Rs. 1.2 billion, while costs incurred in this quarter were Rs. 1.7 billion.

We are making renewed investments in our sports business. During the quarter, we have launched *Ten Cricket*, a premium cricket focused sports channel and also *Ten Action Plus* which is focused on football. Because of the initial launch expenses and an effort to aggressively expand our portfolio, our sports business margins have been lower. Partly, this has been due to delays in launching of *Ten Cricket* which was due to regulatory reasons. We continue to make efforts to increase opportunities of monetizing sports better, and are hopeful of improved performance in the future. Competition continues to be intense in the industry, but we are confident of our team's ability to deliver quality content and enhance our market share.

During the quarter, Zee's International operations undertook various initiatives to further strengthen its dominance in the geographies where it operates. In Middle East, Zee Aflam which is a subtitled Bollywood channel emerged as a number one Arabic channel among its core TG, which is 'All females'.

On the regional front, Zee Marathi continues to maintain its leadership position in Maharashtra market during the quarter, delivering 229 average

Moderator:



weekly GRPs, and a staggering 45 of the top 50 shows and 77 of the top 100 shows. Zee Bangla averaged 271 weekly GRPs in the quarter, ranking second in the Bangla GEC genre and a relative share of 25%. Over the last 6 months, Zee Bangla has shown a steady growing trend and to strengthen its position further, the channel has plans to increase original programming hours, create brand campaign and to use Durga Pujo as the stepping stone for on-ground sampling. Zee Telugu averaged 314 weekly GRPs during the quarter and had a relative channel share of 17%. Zee Kannada averaged 158 weekly GRPs during the quarter.

The performance of Zee Network has been very satisfactory on all parameters, including advertising & subscriptions. We are delivering strong improvement in operating margin on our business, excluding sports. During the quarter, our advertising revenues have grown robustly by 66%, and we have seen healthy growth in cable revenues as well as continued strong performance from the DTH segment.

As I said earlier, competition continues to be intense in the industry, but we are confident of our team's ability to deliver quality content and enhance our market share. I am happy to inform you that during the quarter, Zee Entertainment has been selected *Business Super brands 2010-11*.

With this I thank you again for joining us and would now like to open the floor for question and answer session. Thank you.

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Abneesh

Roy of Edelweiss. Please go ahead.

Abneesh Roy: Sir, thanks for the opportunity. My first question is on the ad industry

overall, last quarter you had said around 14%-15% is the kind of growth for the industry you are looking at for FY11, any change in that? Any further

improvement in that you envisage?

Punit Goenka: Abneesh, we will stick to that kind of guidance.

Abneesh Roy: Yes. And sir, regarding competitive intensity in Hindi GEC, you said in the

last quarter, it's still a three player market and in some of the weeks, we

were number four, so any change in that overall thought process?



Punit Goenka: You know this is a cyclical thing, with large reality shows happening, it is

there. But if you look at the core business of GEC which is soaps and

dramas, it is still largely a three player market.

Abneesh Roy: And we have also started reinvesting in new movie buying. So any drastic

change in that plan in terms of movie content? Recently, we signed this

deal with UTV, so in that context?

Punit Goenka: Yes, every year we buy movies for our network. It's only this year that we

have increased our budgets for buying movies. We have signed deals with

UTV as well as Eros.

Abneesh Roy And lastly, some two three quarters have gone wherein regional GECs are

also part of the bouquet. Any synergy benefits you can talk about in these two quarters which have held your Kannada and Telugu GEC compared to

the earlier scheme of things?

Punit Goenka Alright, look at our advertising revenue growth, it is 66%, a lot of that has come

because of synergies. On the cable side, first time we are actually looking at 7.5% kind of growth on analog cable. These are all synergies of higher growth of the

network becoming stronger.

Abneesh Roy: So there is no one-off thing in the 7.5% analog, because again it comes in

some quarters, so I wanted to understand if you can take that as the

benchmark now.

Punit Goenka: No, it's due to our operating efficiencies.

Abneesh Roy: Okay sir, I will come back if I have more. Thanks a lot.

Moderator: Thank you Mr. Roy. Our next question is from the line of Nitin Mohta of

Macquarie. Please go ahead.

Nitin Mohta: I had two questions, one on the sports segment and the second on

international subscription. The sports segment, last time Punit, you talked about the full year losses would be contained within the limits that we had in fiscal 2010. Now for the first half, we already have seen a loss of about Rs. 89 crores in the segment. So what's the outlook over there? I do understand it's because of the launch of new channels, but are we already



locked in advertising revenues? In the second one on international subscription, when do you see a sense of turnaround happening over there?

Punit Goenka

On the first one, sports is a dynamic business. Given the way, we have planned our strategy, we were supposed to launch Ten Cricket, but we also launched Ten Action, which has renewed focus on football that we have brought in. Therefore, the launch expenses contributed to additional loss. As far as going forward is concerned, I can't give you guidance as of now because it's such a dynamic business, there could be some more losses that come in for the rest of the half of the year, but if the South Africa Series goes well for us, it could recover some ground as well.

Nitin Mohta:

Sure, but any sense in terms of what's your preliminary talks with advertisers or you know, all your business planning. What does it suggest for this sport business outlook, since I am assuming we have also gone ahead and launched a football specific channel? Is there a demand out there, what's the broader strategic outlook for that segment?

Punit Goenka:

No, definitely if you look at the market, cricket is definitely losing a lot of its sheen going forward. There is so much of cricket happening and other sports will pick up. You have seen the success of football, whether it be EPL or other champions leagues that have come here. Apart from that, I do believe that in the long term having a football focused strategy and a cricket focused strategy separate would benefit the network in a larger way.

Nitin Mohta:

Sure, thanks. And on the international subscription?

Nitin Mohta:

International subscription obviously remains weak, I understand it's linked to the macro outlook, but any sense over there when can we see an improvement?

Atul Das:

I think as we had said earlier, international subscription will not be a very high growth trend and as you rightly said, it's more linked to the structural part of the business than linked to any competitive issues. And much of the competition which is launched in the recent past has not done any major change in the landscape. So it's about the macro environment. We are hoping that it will improve and we are also doing certain things to launch new products into the same markets as well as expand our portfolio into new markets. Those actions and activities take a few quarters to yield the



results. So hopefully we shall come back into the growth territory. But it will not be a very high growth trajectory in international and as a percentage of our total revenues, international obviously will continue to decline, given the high growth rates in the Indian markets.

Nitin Mohta: Sure, thank you. Best of luck for your sports segment.

Moderator: Thank you. The next question is from the line of Ritesh Doshi of First Global

Securities. Please go ahead.

Ritesh Doshi: Good afternoon. Sir, effective tax rate has increased significantly to 38%-

39%, any particular reason for this quarter?

Hitesh Vakil: Well, if you compare standalone profitability, you will observe that this

particular quarter, India has registered higher profit as compared to the other subsidiary profits and as a result, effective tax rate has gone up. But on an annualized basis, we expect that it will remain within normal limit of

32%.

Ritesh Doshi: Sir, on the cost front, your programming cost as well as staff cost has

increased significantly. I don't think we have done any kind of reality

shows, so what is the reason for operating cost increasing?

Punit Goenka: The RGEC business, which got added into the portfolio, did not exist in

second quarter last year. That is added to the personnel cost as well as the

program cost.

Ritesh Doshi: Okay. Sir, what is the number of programs you are having in top 50 and top

100?

Punit Goenka: I did mention that we have 27 programs in top 100.

Atul Das: Obviously there are several genres and several languages that we operate

in, so in our speech, if you had heard Mr. Goenka, he did talk about

individual market shares of various genres.

Ritesh Doshi: Yes, and in top 50?

Punit Goenka: I think it is about 10 or 11, I am not sure.

Ritesh Doshi: Okay. Thank you very much sir.



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

of JM Financial. Please go ahead.

Siddharth Goenka: Good afternoon everyone and thanks for the opportunity. Sir, my first

question, you mentioned that there has been certain launch expenses because of Ten Cricket and Ten Action, can I get the number? How much is

the expense for this quarter?

Punit Goenka: Sorry Mr. Goenka, we don't disclose those numbers.

Siddharth Goenka: But any ballpark figure, so you can look at that losses have increased to Rs.

54 crores, which is quite significant. I mean any numbers you can let us

know?

Punit Goenka: Well, launch expenses include not just the technical cost, but also include

acquisition of further properties, because we can't run 24-hour channel services. We had only Ten Sports earlier, which has now got divided into two separate channels. We have to go out and acquire a lot more content. So I would not be in a position to give you the details as it is all competitive

information.

Siddharth Goenka: Sure. But the content acquisition strategy will be there over the next few

quarters also because now they are standalone channels and you need

content to get up that kind of eyeball stickiness.

Punit Goenka: Correct and therefore we would expect revenue also to kick-in along.

Siddharth Goenka: Right, and sir, on the other income side, it has gone up significantly

quarter-on-quarter, which I believe is due to some kind of repayment of our group companies because of which our cash position has gone up. Can we expect the similar rate going forward over the next few quarters at these

Q2 levels?

Atul Das: The other income, Siddharth, has a one-off component where we have got

certain insurance claim benefit of almost Rs. 4 crores in this quarter.

Except for that, I think you can take everything else on run-rate basis.

Siddharth Goenka: Okay, Rs. 4 crores is fine. And sir, if you can give any outlook for your

advertising revenue growth in FY11; now we are already over in the first

half, so any outlook if you can give for the end of the year for FY11?



Atul Das: I think at the start of the year, we had talked about a certain level of

growth that we were expecting and I think there is no reason for us to change that particular number. So we had talked about 14%-15% growth and

I think the industry is set to at least achieve that number.

Siddharth Goenka: Okay. Thank you so much, that's it from my end. I will come back if I have

any questions.

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

of ICICI Securities. Please go ahead.

Vikash Mantri Are we giving any guidance for our sports business losses for the year?

Atul Das: No, we will not be able to specify a particular number, but as you have

seen the first half has incurred a loss of Rs. 89 crores which includes our aggressive investments into launching of the two products - Ten Cricket and Ten Action Plus. We have a large series coming up in the third quarter which is the India-South Africa Series that can swing the numbers both ways. So it's very difficult to give out a number, but we are hopeful that we can recover some of the lost ground in the first half as we have discussed

just a little while back.

Vikash Mantri: Okay, and in the other sales and service have we had a negative number.

What would be the number if the education business was not reversed?

Atul Das: I mean Rs. 11 crores was the number in the first quarter, which was

included as part of the sales of education business. During the second quarter, that number not only is not there, because education business has got de-merged effective April 1st, but also we have reversed what was included in the first quarter, so it's a negative Rs. 22 crores impact in other sales and service during this quarter. And on an ongoing basis, if you add Rs. 11 crores to this number, you will get on a normal run rate basis what

the other sales which should be.

Vikash Mantri: Will that be true for costs as well?

Hitesh Vakil: Yes, education business did not have too high a margin, so something

similar.

Vikash Mantri: So, around Rs. 22 odd crores into that to the cost front as well?

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Hitesh Vakil: Yes.

Vikash Mantri: And which line item would be that?

Hitesh Vakil: Programming cost.

Vikash Mantri: Okay, thank you sir.

Moderator: Thank you Mr. Mantri. Out next question is from the line of Ritesh Poladia

of Almondz Global. Please go ahead.

Ritesh Poladia: Sir, my question has just been answered. Thank you.

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

America Merrill Lynch. Please go ahead.

Pratish Krishnan: Hi, thanks. This is on subscription. I mean on year-on-year basis, we have

seen a decline of 7%. Is this because of the currency or have you seen a

decline in the base itself?

Punit Goenka: No, there a decline in the subscribers.

Pratish Krishnan: Okay. And sir, what is the quantum of that, I mean what is ex-currency?

Hitesh Vakil: Well, it's roughly around 6% due to currency fluctuations and around 2% due

to decline in the growth.

Pratish Krishnan: Okay. And recently you have tied up with Nielsen for monitoring ratings in

the US. What is the idea behind this and how will this benefit Zee Network?

Punit Goenka: The basic idea is that once you are rated on the Nielsen panel, you can go

and actually talk to mainstream advertisers, which will get you higher

yields on advertising.

Pratish Krishnan: And how much time do you think, would it take for this to kind of play out?

Punit Goenka: It normally takes anywhere between six months to a year before one can

start to see results.

Pratish Krishnan: Okay, sure year, thanks.



Moderator: Thank you Mr. Krishnan. Our next question is from the line of Yasmin Shah

of Avendus Capital. Please go ahead.

Yasmin Shah: Hi, sir, I have two questions, first is on your RGECs, can you throw some

color on what has been the growth rate and margins? And second question pertains to 9X, have you booked any programming cost related to that and

subsequent revenue on that, any color you can throw on that as well?

Hitesh Vakil: For 9X, we have booked revenue and cost as the normal business.

Yasmin Shah: Any number to that sir?

Atul Das: Sorry, again channel specific numbers we will not be able to share.

Yasmin Shah: And sir in RGECs, what has been the trend in terms of the growth rates both

on the top line and the EBITDA front?

Atul Das: We don't split out the numbers, Yasmin, business-wise and therefore we

will be constrained to give that number. But on a broad basis, our RGEC business continues to do well in terms both growth as well as on the margin front. Operating margins on RGEC business broadly lie in the 27%-28% range

and that it is in line with broader business numbers.

Yasmin Shah: And any color on the ad growth on that business?

Atul Das: No, we can't split out separately.

Yasmin Shah: And my last question is, the analog subscription increase, has it to do with

this merger of RGEC?

Punit Goenka: Yes, partially also it is to do with that.

Yasmin Shah: Okay. Thank you so much.

Moderator: Thank you Ms. Shah. Our next question is from the line of Rohit Dokania of

Batlivala and Karani Securities. Please go ahead.

Rohit Dokania: Good afternoon sir, thank you for the opportunity, just one or two

questions. Sir, I am sorry, I joined the call little late, if you could tell us as to how many numbers of fresh programming hours were there in Q2 on Zee



TV, the flagship channel and by how many hours do we plan to increase it in Q3?

Punit Goenka: It was 24 hours in Q2 and over a period of the next 4-5 months, we will be

adding another 7-8 hours a week.

Rohit Dokania: In period of 4-5 months, that is?

Punit Goenka: Yes.

Rohit Dokania: Okay, that was helpful sir. Sir, what are your thoughts on the niche channel

plans that we have, by when do we expect them to get launched?

Punit Goenka: We currently have approvals for two niche channels - one is golf and one is

food network. From the Company's point of view, we are ready to launch the channels in a span of 60 to 90 days from receiving all regulatory

approvals.

Rohit Dokania: Okay, that was helpful. Atul, you had last time mentioned that the growth

in domestic cable for the full year will not be that high, but if I look it on a sequential basis, we still see a 7.5% growth in quarter 2. Can you please explain what the reason was and how do you perceive it going forward for

the second half?

Atul Das: See, I would maintain that given the larger macro trends of people

switching to DTH in a significant manner. This year we are expecting 11 million people subscribers again switch to DTH. You know while we are growing better than what we would have earlier guided, I would still request you not to build high growth assumptions on cable business, because it is a changing scenario and dynamics are in favor of more people moving towards DTH and therefore, I would say that a low single digit

growth is what you should build in, rather than higher numbers.

Rohit Dokania: Sure, thank you that was helpful. Thanks a lot and all the best.

Moderator: Thank you Mr. Dokania. Our next question is from the line of Shikha Jalan of

Smifs Securities. Please go ahead.

Shikha Jalan: Hello, Good afternoon sir. I am sorry, but I actually missed the explanation

for high tax rate this quarter.



Hitesh Vakil: Well, if you analyze the results, standalone profit is higher than the

consolidated profit and as a result on a consolidated profit, effective tax rate has gone up in this quarter. We still maintain our annualized tax rate

at around 32%.

Shikha Jalan: Okay sir, that's all from my side, thanks a lot.

Moderator: Thank you Ms. Jalan. Our next question is from the line of Shreya Bhansali

of Wealth Management. Please go ahead.

Shreya Bhansali: Good afternoon sir. I wanted to know, in the sports revenues which you

have made of Rs. 119 crores, what portion is the ad revenue and the

subscription revenue? If you can give us a breakup?

Atul Das: Sorry, we don't break out the revenue stream. We have disclosed the total

revenue and operating profits of sports to help our investors understand the performance of other businesses, excluding sports, we don't split it out on advertising and subscription, but largely it's not very different in profile from other businesses, so we do have a substantial portion of advertising

and subscription both.

Shreya Bhansali: Okay, thank you sir.

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

Kotak. Please go ahead.

Amit Kumar: Good afternoon sir and thank you so much for the opportunity. I just had a

couple of points. First of all, the ratings of our flagship channel Zee TV have been a little weak over the last couple of data points. I just wanted to understand, going into the festival season typically we are able to take some sort of ad rate hikes and our utilization levels are also high. I just wanted to understand how these metrics are tracking right now on a Q-o-Q

or year-on-year basis. Is there any pressure that we are facing on that side?

Punit Goenka: Look, pressure is always there from advertisers whether the ratings do well

or they don't do well, but because all our deals for the season are done back in July-August itself, our inventory levels are all full and rates are also maintained. We don't guarantee ratings for advertisers just like they don't

guarantee higher revenue if we will deliver more, so everything is holding

fine.



Amit Kumar: Okay. On a Q-o-Q basis, third quarter is significantly stronger, are we still

expecting growth to happen or that may not be possible in this particular

quarter?

Atul Das: Amit, a little while back, we said on the question asked on advertising

revenue guidance, we maintain our guidance for the full year and we don't

give an outlook for a specific quarter.

Amit Kumar: Sure, no issue. Sir, my second point relates more on the cost side, your

SG&A expenses are down about 8% on year-on-year basis and this is despite the fact that we have added the RGEC's business also during this period. So I just wanted to understand, whether this sort of a number is sustainable or

there might be some increase in this going ahead?

Hitesh Vakil: Well, it does have seasonality, particularly in third quarter. There are lots

of events lined up, there will be an increase, so in that sense yes, there is

seasonality.

Amit Kumar: Yes, one thing, even on year-on-year basis because it has declined. So how

do you exactly view this because this is one variable, which is historically

very difficult to handle?

Hitesh Vakil: It is directly linked with the activities that we are planning and based on

what we have forecasted a normal growth on an annualized basis, so you

will see growth.

Amit Kumar: Okay, thank you so much sir. If I have anything else, I will come back.

Moderator: Thank you Mr. Kumar. Our next question is from the line of Siddharth

Goenka of JM Financial. Please go ahead.

Siddharth Goenka: Yes hi, thanks again for the opportunity. Sir, what will be our paid DTH

subscribers and the ARPU for this quarter?

Atul Das: Overall, the DTH industry has 26 million subscribers as of September end.

We get paid for roughly 50%; So 13 million subscribers at an ARPU of broadly Rs. 20. ARPU is not the right word, you should say yield of Rs. 20.

Siddharth Goenka: Okay fine, so we are maintaining the rate of 50%, because we have been

doing this over the last 3-4 of your quarters?



Atul Das: Yes.

Siddharth Goenka: Thank you so much, that's it from side.

Moderator: Thank you Mr. Goenka. Our next question is from the line of Aakash

Chattopadhyay of IIFL. Please go ahead.

Bijal: Thanks for the call. This is Bijal from IIFL. I just wanted some more color on

losses in the sports business. Now even last quarter, we had some matches which were telecast and losses were around Rs. 360 million and this quarter they have widened. So last quarter, we had a lot of competing properties on other channels like IPL, Soccer World Cup and this quarter, we don't have any such properties. So if you can give us some idea how much is the losses on account of launch of two new channels and how much is on account of the Tri-series, it would be great help in forecasting earnings?

Atul Das: Bijal, it will be difficult to split out those things. What I would like to add

on this is that our losses in sport business need not necessarily be determine only by competition, it's also a factor of how the particular sports events are received by the consumers. And in particular, this quarter we have decided to launch two channels. Initially, I don't think we were budgeting for two property launches in the same quarter, but we decided to go ahead with the launch of Ten Cricket as well Ten Action. And therefore we have seen slightly higher investment and losses going into this quarter. But the fact remains that sports business revenues are more difficult to put a handle on and we have a series coming up, which is India-South Africa, which is a large series because it draws a lot of interest. So hopefully we are thinking that we will be able to recoup some of the losses

number out for that.

Bijal: Yes, that is right, I am not asking about the forecast of losses, I am just

asking that if this increasing loss is primarily on account of new general

in the first half. But you never know as Mr. Goenka just said little while back, that on a worst case side, we could just end up adding to some losses also. So the range is wide and it will be very difficult to give a certain

launches or it was on the property really, it is on the Tri-series.

Atul Das: Well it's a mix of both, it's not that on a pure basis, we would have made

profit and the incremental loss is only on the launch of the channels it is

not the case.

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Punit Goenka: Also, keep in mind, business of the subscription income doesn't get

attributed to any one series.

Bijal: That is right.

Punit Goenka: Subscription income keep coming even in the quarter, where we don't have

any series happening, subscription income is still flowing in. So from that perspective, to attribute that one series was a loss or a profit, is difficult

for us to do.

Bijal: Generally, for sport properties, advertisers book the property probably

three-four months in advance. So we would have some fair sense, of

whether at least any losses of this magnitude will continue or not?

Punit Goenka: Gone are those days where sales used to happen three-four months in

advance. We are right now in the market, already with our South Africa package and closer to the series, we will have better idea is to what the

situation looks like.

Bijal: Okay, I have just a broader question on the same thing. Do we have some

overall budget of spending on sports or investing in sports properties for say

full year or FY12?

Atul Das: Bijal, probably a better time that we will give a much more precise outlook

which are happening this year, which is some of the key properties getting showcased, two channels getting launched, so there are several factors on

would be after the finish of this fiscal, because there are so many things

play. When you launch a new channel, you have to ensure the distribution

of that particular and therefore build up subscription revenue in the new

channel happens over a period of time.

So I think it will be only fair that at the end of this fiscal, we will able to give a more precise guidance, but largely I would say we specifically believe in the sports genre and we believe that with the digitization, which is happening in India, our ability to charge a premium to pay TV rates on sports will remain high and therefore, we are investing in the genre. Definitely, we don't expect these losses to continue for a long time. It may just be a much better year next year. But allow us a couple of more months

before we get more specific on that.



Bijal: Yes, thanks a lot. Thanks for your answers.

Moderator: Thank you. Our next question is from the line of Mihir Shah of Alchemy.

Please go ahead.

Mihir Shah: Hi sir, I just wanted to know what the status on the tariff order

implementation is. We heard the matter is in court. What impact can it have if it goes through on our subscription revenue? Considering our deals some of which are lump sum or subscribers linked, what impact can it

have?

Atul Das: Mihir, as of now, we don't have any update on that. Our best sense is that

it may not be implemented the way tariff order had been issued, but

obviously it will be premature for us to say anything.

Mihir Shah: Sure. Lastly, so what's your CAPEX guidance for the full year?

Hitesh Vakil: We have maintained a target of around Rs.70 crores.

Mihir Shah: Okay. Thank you, sir.

Moderator: Thank you Mr. Shah. Our next question is from the line of Nitin Mohta of

Macquarie. Please go ahead.

Nitin Mohta: Sure, thanks for the follow up. Just a question regarding the fiscal 2010

tax. I understand that there was some amount of restructuring and credit entitlement following the restructuring and addition of 9X. But if I can get further color because removing the credit entitlement, it still comes to a tax rate of about 17%, whereas historically your all tax rate has been pretty

much close to 30%. If I can get that color, that will be very helpful.

Hitesh Vakil: No. If you remove the impact then that should not be the case, it should

remain at around 30%.

Nitin Mohta: Sure, I was just actually removing the impact which was mentioned in the

annual report. But essentially if you remove that, the tax rate would be

around 30% or so.

Hitesh Vakil: Yes.

Nitin Mohta: Fine, thank you.



Moderator:

Thank you Mr. Mohta. Our next question is from the line of Harish Jhaveri of Deutsche Bank. Please go ahead.

Harish Jhaveri:

Yes hi, just one question. While you have not give the data, if I were to just adjust the RGEC and then look at your core advertising revenue and compare it to last July to September, you would have done at least 18%-20% growth on the Zee standalone without including RGEC and 20% implies that there have been rate hikes apart from you running your full inventory for this quarter. Now the question is, that if I were to look at GRPs, they have been declining over a period of time and this is true for the last two-three quarters. Is the rate that you are getting for a GRP now becoming slightly more independent, i.e., is the environment influencing the rate a lot more than the actual GRP per se because your ad revenue number or the ad revenue growth seems to be far stronger?

Atul Das:

Lot of questions, Harish, we will not be able to specifically give out answers like that. I think it would suffice to say that we have had better rates and inventory utilizations have also improved. And I think, we continue to make efforts to increase our market share in the viewership front without talking about a particular channel and ratings and effective rates.

Harish Jhaveri:

Atul, I will flip this around, I will tell you the basic thing was, that if I were to look at 180 GRPs in say October-December and if I were to look at 180 GRPs now, the value of that 180 GRPs is very different. Now when last time you had this sort of a thing, there was Colors which had come in and consequently two quarters later, we do see a decline. So this 180 GRPs mean something else, and well I don't know the background in terms of how long would you have your ad contracts, certainly the value seems to be a lot more. And my guess, the environment has to do a lot with this. And hence this question, that if I were to now look at GRPs, how do we look at and we say okay, this sort of growth will continue or this sort of rate increase we have already locked in so we don't have to worry about look at GRPs every week.

Atul Das:

The other thing Harish, I am just digressing a little bit from the question to address a slightly broader issue, that many of people following us do focus very minutely the Zee TV ratings and rates and whatever. And as you are fully aware that 50% or roughly half of our business is driven by subscription, which is totally independent of ratings and the other half



which we have has a bouquet of 25 channels plus. So therefore being focused on what is happening in Zee TV may not necessarily lead to a certain assumption on the overall performance of Zee Entertainment, that's the only premise that I would like to put here. But yes, I think environment keeps changing, our strength keeps changing, our market share keeps fluctuating, but we need to look at it as a portfolio product to deliver overall returns and of that we are confident of as of now.

Harish Jhaveri:

Okay. And Atul could you give some clarity on that 180 GRP question once again?

Punit Goenka:

That's absolutely right Harish. As the universe keeps expanding in terms of number of TV homes, as the rating system will go deeper down, more and more homes get covered. As of now as you know this year the leading system is covering about 48 million homes only, whereas C&S is reaching out to 110 million homes. So as we keep adding more to the 180 GRP because it's a percentage. GRP is nothing but a percentage of people watching, so the absolute number keeps going up, and therefore the market always keeps improving.

Harish Jhaveri:

Yes fine, thank you.

Moderator:

Thank you Mr. Jhaveri. Our next question is from the line of Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri:

I just wanted a feeler in terms of the ad booking side. We are having the market for the India-South Africa series, so basically I mean the cycle for cricket or sports is reduced to one or two months prior to event, whereas for Hindi GEC these are six month to annual contracts, will that be true?

Punit Goenka:

Vikash, we do have annual contracts and we have short term based as RGEC. The large advertisers would be doing annual deals with us, but the smaller advertisers would be doing far more frequent deals raging between three months to six months to even one month at times. But sports, you are right. Sports actually sells when the events are occurring for maybe a month or two before that.

Vikash Mantri:

Okay. Can I just get the amount, the number of years we are left with rights for our various sports boards that we own?



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Punit Goenka: Our rights come up for renewal starting in 2013.

Vikash Mantri: For all the boards or any particular board?

Punit Goenka: No, I think it's one or two boards and all of them come up for by end of

2014.

Vikash Mantri: 2014, okay thank you.

Punit Goenka: Sorry Vikas there is a correction, it's end of 2012 to end of 2013.

Vikash Mantri: Okay thanks.

Moderator: Thank you Mr. Mantri. Ladies and gentlemen, we will now take the last two

questions. Our next question is from the line of Abneesh Roy of Edelweiss.

Please go ahead.

Abneesh Roy: Sir, you spoke regarding new channel launches for golf and food, and last

time you said that movie channel launches also can be looked upon in the RGEC market, and any further addition to the RGEC can also be looked at

say Orissa or say Bhojpuri, so any color on that sir?

Punit Goenka: No Abneesh, we don't have any plan as of now for this fiscal.

Abneesh Roy: And my last question is that essentially Bangla channel you have has done

well. Is it sustainable and how have the new entrants done - ABP and Mahua

Channel?

Punit Goenka: Well, we have certainly done well and it's a sustained growth as I said

earlier, over the last six months we have grown and it's one week that one is showing, so it's definitely sustainable ratings. Mahua, I have seen the numbers are not that great as of now, but I have not seen the content so I

would not be able to comment for ABP or Mahua.

Abneesh Roy: Okay sir, thanks a lot.

Moderator: Thank you Mr. Roy. Our last question is from the line of Rohit Dokania of

B&K Securities. Please go ahead.

Rohit Dokania: Yes hi, the question is for Punit, I just wanted your thoughts, I mean Sun

has been aggressively talking of probably launching sometime later not like



in the near future, but sometime launching a Marathi or Bangla Channel portfolio sort of a thing. I just wanted your thoughts on the increasing competitiveness in those markets?

Punit Goenka: My thoughts are that competition has always been intense and it will

continue to be even more as newer and newer players are coming.

Rohit Dokania: Yes, the Network 18 group also.

Punit Goenka: Correct, so from that perspective, in most of the regional markets and in

the Hindi Speaking Market, we have pioneered and we have maintained our leadership and we will continue to fight the competition as and when it

comes up.

Rohit Dokania: Sure, thanks sir, and all the best.

Moderator: Thank you Mr. Dokania. Ladies and gentlemen that was the last question. I

now hand the conference over to Mr. Rajesh Pal to add closing comments.

Rajesh Pal: Thank you Rochelle. Ladies and gentlemen, I would like to thank you again

for joining us. We hope to have the transcript of the call on website www.zeetelevision.com soon. We look forward to speak to you again at the end of 3rd quarter of fiscal 2011 or even earlier on a one-on-basis. Thank

you and have a great day.

Moderator Thank you Mr. Pal, thank you members of the management team. Ladies

and gentlemen, on behalf of Zee Entertainment Enterprises Limited, that concludes this conference call. Thank you for joining us on the Chorus Call

Conferencing Facility and you may now disconnect your lines.

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