

Q2 FY2012 EARNINGS CONFERENCE CALL

October 17, 2011, 1500 HRS IST

Moderator

Ladies and gentlemen, Good afternoon and welcome to the Zee Entertainment Enterprises Ltd (ZEE) Q2 FY12 Results Conference Call. As a reminder, all participants will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded.

At this time I would now like to hand the conference over to Mr. Kanwaljeet Singh of Zee Entertainment Enterprises Ltd, thank you and over to you Kanwaljeet.

Kanwaljeet Singh

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 2nd Quarter of Fiscal 2012 and to share with you the outlook of the management of Zee Entertainment Enterprises Limited. We do hope that you have had a chance to go through the earnings release and the results, both of which have been uploaded on our corporate web site www.zeetelevision.com.

To discuss the results and 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 -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 2nd Quarter performance and will then open the discussion for questions and answers.

I would like to remind everybody that anything we say during this call that refers to our outlook for the future is a forward-looking statement and must be taken in the context of the risks that we face. We would also like to add that this call is purely for our analysts and investors and if there are any media companies on the call, we request them to please disconnect.

I now request Mr. Goenka to address the audience.

Punit Goenka

Thank you, Kanwaljeet. Good afternoon ladies and gentlemen. I would like to welcome everybody to this call and appreciate your joining us for a discussion on the results of the 2nd Quarter of fiscal 2012.







Let's begin with the details of some of the key financials of the quarter focusing on the **financial performance**.

ZEE's **advertising revenues** during the quarter were Rs 3.9 billion, a decline of 4.2% as compared to the corresponding quarter last fiscal. While advertising revenues have grown on non-sports business, which is a better like-to-like comparison of our business performance, there has been a YOY decline in advertising revenues on account of sports, due to lack of big sporting events in the quarter. As a result, overall advertising revenues have recorded a decline.

The **subscription revenues** for the quarter stood at Rs 2.9 billion. While subscription revenues have recorded a higher increase, the reported subscription revenues reflect a growth of 6.3%, because of the change in accounting treatment of domestic subscription revenues, which are now being reported net of expenses. This change has been necessitated due to the formation of Media Pro, a joint venture, which pays subscription revenues to ZEE net of expenses. Hence, the numbers are not comparable to those of corresponding period last year. Domestic subscription revenues stood at Rs 1.95 billion, while international subscription revenues were Rs 0.96 billion. Subscription revenues from international operations have declined by 3% y-o-y.

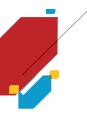
On the cost front, programming & operating cost in the quarter was Rs 3.2 billion as compared to Rs 3.5 billion in the corresponding period last fiscal, registering a decline of 6.8%. Employee cost increased by 7% over the corresponding period last fiscal. Selling & other expenses in the quarter were at Rs 1.2 billion, an increase of 5.9% over the corresponding period last fiscal. As a result, Total Costs incurred by the Company in this quarter were Rs 5.1 billion, showing a decline of 2.3% over the corresponding period last fiscal.

During the quarter, the Company's **operating profit (EBITDA) was Rs 2.1 billion**. This reflects a significant improvement in EBITDA margin from 22.3% in Q1 to 28.9% in the second quarter. **Profit After Tax (PAT)** for the quarter stood at Rs 1.6 billion, registering a robust growth of 26.7% as compared to the corresponding period last fiscal.

It is important for you to understand that while our Sports business remains on track as we have explained in our guidance earlier, a significant portion of the losses have accrued during the first half itself. 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 to fiscal 2011. The Sports losses during the quarter were Rs 226 million.







As of September 30, 2011, the Company has a negligible gross debt of Rs 19.8 million and **Net Cash of Rs 11.1 Billion**. Finance expenses in the quarter were Rs 56 million.

I would now like to cover the **Business Performance**.

During the quarter, Zee TV averaged 189 GRPs recording a relative share of 20%. The performance was better in the *All Day Prime Time* band, where Zee TV averaged 122 GRPs recording a relative share of 21%. The channel delivered a weekly average of 17 shows among top 100 shows during the quarter led by the top rated fiction shows like *Pavitra Rishta, Ram Milaayi Jodi* and *Yahan Main Ghar Ghar Kheli*, and the non-fiction show *SRGMP Li'l Champs*. The key properties planned for launch in the forthcoming quarter include *Star Ya Rockstar* and *DID 3*. On the fiction side, we have already planned two shows under the name of *Hitler Didi* and *Afsar Bitiya*.

The network's Hindi movie channel **Zee Cinema** averaged 139 GRPs during the quarter. The key properties of the channel during the quarter were *Lage Raho*, *Shanivaar Ki Raat Sitaron Ke Saath* and *Double Maza*. The quarter saw the premiere of *No Problem, Mera Badla* and *Shagird*. The channel also began showing five films during the live band each day from four films earlier. The forthcoming quarter would see events like *Dumdar Diwali contest* and *Record Tod Cinema* – a 10 day festival featuring the biggest hits of all time.

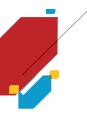
The network operates two channels in the English entertainment and movies genres - Zee Café and Zee Studio. The top shows on **Zee Café** were *The Cougar Town, The Big Bang Theory* and *Americas Funniest Home Videos*. The key shows launched in the quarter were *Pretty Little Liars, Californication* and *Happy Endings*. Another key highlight of the quarter was the airing of the highly popular international beauty contest *Miss Universe 2011*. The top performing properties on **Zee Studio** were *The Game Plan, Hostel* and *The Peacemaker*.

Zing, the network's music and lifestyle channel, showcased popular properties like *Bollywood Bulletin*, *B Grade* and *Record Makers*. **ETC**, the Bollywood trade channel, showcased popular shows like *Bollywood Ab Tak*, *Good Morning ETC*, and *ETC Bollywood Business*.

Zee Khana Khazana, India's first 24 hour food channel, lived up to its promise of delivering rich programming mix from across India and abroad featuring shows that define and refine the culinary expertise. The top properties showcased on the channel were *Simbly South*, *An Italian In Mexico* and *Mirch Masala*. The key properties launched in the quarter were *Ghar Aaya Chef* — a show that would take viewers on a roller coaster ride of







food not in the studio sets or five-star hotels but to the homes of common people, and *Rasm-e-Rasoi* - an informative and entertaining daily cookery show.

ZEE's **International operations** contribute a significant part of the Company's revenues. During the quarter, the Company undertook a number of initiatives to further strengthen its dominance. In America, five new channels - Zee Marathi, Zee Kannada, Zee Smile, Zee Business and Zing - were launched on Dish Network on India's 64th Independence Day. In Middle East, Zee Aflam figured as the No 1 movie channel among the Female TG in the Ramadan month. In Asia Pacific, Zee Cinema was launched in new territories like Myanmar and Hong Kong. In Malaysia, Zee Variasi consistently occupied the No 1 position in terms of viewership among International channels.

Zee Marathi delivered 183 GRPs during the quarter recording a relative share of 24% with 27 of the top 100 shows. The top shows in the quarter were *Pinjara, Kunku and Fu Bai Fu*. The quarter saw the launch of *Madhu Yethe Aan Chandra Tithe* and *Ekach Ya Janmi Janu*. Another highlight of the quarter was the World Television Premiere of *Mee Sindhutai Sapkal* - a critically acclaimed movie of 2011.

Zee Bangla delivered 375 GRPs in the quarter ranking a clear second in the Bangla GEC genre recording a relative share of 33%. The top shows during the quarter were *Agnipariksha*, *Rashi* and *Mirakkel Akkel Challenger 6*. The key properties launched in the quarter were *Kanakanjali* and *Mirakkel Akkel Challenger 6*.

Zee Telugu averaged 339 GRPs during the quarter recording a relative channel share of 18%. *Chinna Kodalu, Muddubidda* and *SRGMP L'il Champs* were the top shows on the channel during the quarter. Another highlight of the quarter was the live and exclusive telecast of *Santosham Film Awards* one of the most popular awards given for Telugu Films. **Zee Kannada** averaged 256 GRPs during the quarter driven by popular shows like *Devi, Yariguntu Yarigilla* and *Baduku Jataka Bandi*.

The key highlights of the quarter for **Ten Sports** included telecast of *US Open Tennis Championship, ATP events and WWE*. **Ten Action**⁺ saw the *Football Season Launch*, whereas **Ten Cricket** aired the popular cricketing events like *West Indies vs India series* and *Sri Lanka vs Australia Series*. The forthcoming quarter would see the telecast of cricketing events like *South Africa vs Australia series* and *Pakistan vs Sri Lanka series*. We have recently renewed television rights agreement with Cricket South Africa for a period of 8 years which covers the South African Cricket seasons from 2012/13 through to







2019/20. The sports business revenues in the second quarter of FY2012 were Rs 881 million, while costs incurred in this quarter were Rs 1.1 billion.

In the quarter gone by, we have witnessed some gains and some losses in market shares of our channel portfolio. We are working towards correcting the loss in market shares in the businesses, where we have lost market share and look forward to further increase our share in those where we have gained. During the quarter, we have seen a **healthy increase in our operating margins**, compared to 1Q FY2012, partly due to lower sports losses and partly due to better cost efficiency measures. Though advertising spends are better sequentially, overall trend remain subdued and FY2012 does look to be a year of tepid growth in advertising spends on television. **Media Pro**, our joint venture for subscription revenues, has started operations during the quarter and we are very confident of good performance going forward. With digitization mandate being passed, it will further be able to create value for the business. I am confident that these initiatives will play an important part in helping deliver value and significantly higher returns in the future.

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

Moderator

Thank you very much. We will now begin the question and answer session. Our first question is from the line of Sachin Salgaonkar from Goldman Sachs. Please go ahead.

Sachin Salgaonkar

Thank you for the call. I have two questions. Firstly, can you update us about the revenue guidance for full year? I know comparison on a y-o-y basis might be difficult because of the accounting changes, but on an apple-to-apple comparison, how should we look at it? Is it low single digit or high single digit?

Atul Das

We don't give very specific revenue guidance, but we do talk about the revenue streams that we have and how they are doing because the environment as you know is a little volatile than usual and therefore trends and advertising revenues are not very predictable.

Sachin Salgaonkar

So how should we look at it, Atul. I know in the past conference call you guys have mentioned about a single digit growth. How should we look at it? Are you pretty confident about that on these lines?

Atul Das

Advertising revenues have seen a decline this quarter on a y-o-y basis, where we have seen a 4% decline. As Punit just explained, while it is a decline on an overall basis, it is also due to the sports revenue change where in the 2nd Quarter of last fiscal, we had bigger events and therefore we had a







bigger share of advertising on sports, which is not so in this quarter. So on a like to like basis which is excluding sports, we have done much better. Advertising revenues do remain little weak than what we would encounter around this period, which is more like festival season and therefore a buoyant season for advertising spends. So we are observing how things are going and a lot depends on how the third quarter will pan out in terms of ad revenues.

Sachin Salgaonkar

And my second question is, if I look at the latest GRP data, it indicates a bit of slippage for Zee TV. So I was wondering if there is any change in strategy out there like focusing more on reality shows, etc.

Punit Goenka

There has been slippage on the flagship Zee TV on the ratings front. There is no major shift in the strategy because this drop in ratings is largely due to the fact that some of the launches over the last couple of quarters have not delivered for us as was expected. The strategy would be to continue to roll out re-launch of key slots as well as build new slots to regain the market share. So as I have mentioned in the earlier calls also, we are trying to increase the number of hours of original content on Zee TV, which we expect to end this year at the levels of about 32 - 33 hours per week.

Sachin Salgaonkar

And currently we are at 28-29 roughly?

Punit Goenka

About 28 hours.

Sachin Salgaonkar

Okay, got it thank you.

Moderator

Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, I wanted to understand subscription revenue better. We have stopped giving DTH and analog break up for the domestic business. First question is why we have stopped, we could have still given the growth? Second is, you mentioned in the opening remark regarding digitization, frankly speaking, how much do you really see things happening? In the past, we have seen things have not changed drastically. Obviously, this time things are different. So at the Group level, does your focus on DTH change a bit and what is the broadcasting positive impact because of the Cabinet passing the digitization?

Atul Das

The issue is that we were as an industry seeing a certain pace of growth which was 10 to 12 million subscribers a year. I don't think we can make a guesstimate of how much it will change. On the optimistic side, obviously it has to go by the deadlines that the government would have set through this digitization mandate. But it doesn't look like that we will achieve those kind







of levels. So somewhere in between, instead of 10 million mark, it will be much higher. But how much, we will have to see with the rollout happening in terms of how much DTH guys pickup and how much the digital cable industry actually jumps into the fray. So giving out the numbers would be very difficult, but I would say we are happy that it is getting implemented and therefore the numbers will be high.

Abneesh Roy

No, I am not asking about the number, but do you think the things will really happen this time in a serious manner in terms of sunset clause dates being met?

Punit Goenka

Abneesh, the dates as put out by the government have, as I have been saying, in our view, aggressive. But it's a good indication that things are moving in the right direction. Whether these dates are met or not, we still have to see as to what the rollout plans from these industries are going to be, whether it be cable or DTH, and the kind of investments that may be required to achieve it. It's not the sunset date. To achieve it, one has to figure out how much investment is going to be required and who is going to put it up. So time would tell that, but getting the ordinance passed itself is a positive sign that it's a serious matter this time and should be implemented.

Abneesh Roy

And any comment on the Group level primary focus on DTH. Does it change as of now?

Punit Goenka

I don't think this pertains to Zee Entertainment. We will focus on Zee on this call.

Abneesh Roy

Why we have stopped giving the DTH and analogue split. We have been giving that for many quarters till now.

Atul Das

Abneesh, the reason for the change is because of the way we are now getting the revenues, which is through the joint venture we have created, and with this joint-venture, there are certain business requirements and business arrangements between the two joint-venture partners. The company gives us license fee instead of the earlier revenue that we used to report for DTH and cable. While we have some sense of how the revenues are growing, but since we don't have an exact number, it would be wrong on our part to declare those on a quarterly basis, and that's why we have refrained from that.

Abneesh Roy

Sir, my second question is on the advertising front. We have seen some market share loss happen in the three channels - Zee TV, Zee Marathi and Zee Cinema. So my question is in these three specific markets, could you give us some color? And in the past two years, we have seen ZEE being very reactive. So after Zee TV loss in market share, now you are launching Star Ya









Rockstar. These are kind of high cost content shows or reality shows. So is there any change you want to bring in terms of not being reactive, but being proactive?

Punit Goenka

Abneesh, on two genres, you have rightly said that in Marathi and Zee TV the market share has been lost and therefore will have impact on the advertising revenues that the company will earn. What that impact is going to be, of course I'm not at liberty to share and you know that we don't give break-ups as in the past.

Zee Cinema, I would not say that we have lost market share because if you look at the bouquet of Zee's Cinema channels, we are still 31%-32% kind of levels and our revenues on that are very well protected. I'm not too worried about the cinema genre, but definitely there is pressure on advertising on the flagship and on the Marathi side.

Abneesh Roy

So we lose market share and then we come back with high cost content. We have seen that in Bengali earlier. We have seen that in Zee TV now. So why can't we be more proactive rather than being reactive?

Punit Goenka

Abneesh, it is not about being reactive or proactive. I think it's the nature of business we are in and as I answered Sachin earlier, the primary reason for the loss in market share is because we have had a series of bad launches. That's the nature of our business, it being creative. I'm yet to find somebody who can get all 10 out of 10 things right in this business. So it is a cyclical nature of this business that if you have something which went wrong, you will suffer the brunt of it, but it is not necessary that high cost programming is the answer for everything. Therefore we are working with our strategy of putting on good quality shows that we believe will bring the success back.

Abneesh Roy

Thanks and I will comeback if I have more.

Moderator

Thank you. The next question is from the line of Nitin Mohta form Macquarie, please go ahead.

Nitin Mohta

Thanks for the opportunity. My question is more on the programming cost side, now you obviously mentioned that you're going to increase the original hours of programming for the flagship channel, in addition, the pressure that we have seen in business regional space. So how should we be thinking about it in terms of the margin impact?

Punit Goenka

We are going to be increasing our investments required both in the national channels as well as the regional channels in the following quarter as well. You should expect some amount of contraction in the margins for this fiscal. How much is that going to be is difficult to comment. But on the cost side,







we would be growing roughly at about 14%-15%. I am talking ex-sports here, which is generally more than what our year-on-year growth has been in the past. So that should give you some color on what the cost side will look like.

Nitin Mohta Sir, when you said some margin compression, is that compared to the

average fiscal level. And for fiscal 2011, our margins were about 26%.

Punit Goenka 27.4 per cent

Nitin Mohta Okay, and just a follow up on the tax rate side. For the two quarters now we

have lower tax rates. If I can get a sense of where your full year fiscal tax

rate would be?

Hitesh Vakil We have always maintained that full year tax rate would be around 30%, it

would continue to be in that range.

Nitin Mohta Thanks guys and best wishes for next quarter.

Punit Goenka Thank you, Nitin.

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

Securities, please go ahead.

Vikash Mantri Good afternoon, sir. Just wanted to understand what was the impact of the

accounting change. Could you quantify the expenses so that we can do a like-to-like comparison of the subscription revenues, and is the MediaPro

arrangement only for domestic or for international also?

Punit Goenka On the second part, the arrangement on MediaPro covers the territories of

India, Nepal and Bhutan. So I don't think the impact on international of 3%

has anything linked to MediaPro.

Atul Das Yeah, Vikash. On the expenses, the exact quantification would be difficult,

but what I can tell you is that in the subscription revenue stream, the expenses broadly range between the 7-10% mark of the revenues. So basically earlier if I was reporting Rs 100 of revenue, we would have anywhere between Rs 8-10 of costs against that. And now we are reporting

net of expenses what we receive as license fee from MediaPro.

Vikash Mantri Atul, so that puts me around the 25-30 odd crore number for the expenses,

which is net from subscription and that would have largely been recorded

onto the admin and selling expenses line, if I am right?

Atul Das It gets distributed, so I can't really split that.







Vikash Mantri Okay, and just to come to the cost front here, if I were to do a like-to-like

comparison of cost and that is only for ex-sports business, we have had a 14% growth with the current reporting. And if I were to add the 25-30 odd crore of net subscription revenue, then our cost would have grown up by more than 20 odd percent here on the ex-sports business itself. This is the

kind of inflation we are seeing in costs.

Punit Goenka As I said Vikash, for the full year, the impact would be around 14-15% mark.

I don't know whether we would get the same impact in the quarter-on-

quarter analysis.

Vikash Mantri No, I just wanted to understand what made the cost for this quarter so high.

We are talking about a close to 25% higher cost this quarter.

Atul Das We have 20%. We had increased number of hours also of programming

combined with normal inflationary cost. So it has gone up.

Vikash Mantri Programming hours have not increased yet Atul, they are supposed to

increase if I am right.

Punit Goenka You are talking about flagship, but you should just look at the network side.

On the south channels, we have increased number of hours of content. In Marathi also, we are doing the same. Films cost, as we all know Vikash, has been going up over the past many, many quarters. These also need to be

factored into all these aspects, right?

Vikash Mantri And are the two new programs in-house fresh content or replacement of

the current slate.

Punit Goenka Hitler Didi and Afsar Bitiya are fresh fiction shows.

Vikash Mantri So we will get added to the current slate and not necessary a replacement.

Punit Goenka That I would not comment here, Vikash.

Vikash Mantri Okay, and our plans of launching HD content?

Punit Goenka We are producing 100% of our content in HD today. We are testing the

signals as we speak and we should be launching back sometime in

November end, everything has been worked out.

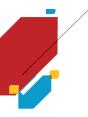
Vikash Mantri Punit, more of a strategic question. We have maintained that we do not

want to do the high reality cost programmes because they don't give the return on investment and also we have not been acquiring a lot of movies' satellite rights, whose costs have ballooned up significantly. Recently there was a news about we acquiring the rights of Agneepath for 41 crores. These









numbers could be here and there, but is there a change in strategy at the way we see investments that need to be done in movies and may be in reality content, given our competition is also doing the same and as a means to maintain our viewership share.

Punit Goenka

Vikash, on the movies front, for sure we will be investing in that. Now how many movies we end up buying and at what cost is still a question mark. But definitely, we will be going aggressively on the movie acquisition part as you rightly said.

On the reality side, we have always been open for big budget reality shows. The problem has been that we haven't found a format which is worthy of getting celebrities of those kind of cost and therefore the returns are something you know which we get worried about. And when you look at the history of celebrity shows barring one or two, there haven't been too many runaway successes and that is our biggest worry. Therefore, we are very careful in evaluating the format before we take these decisions.

Vikash Mantri

Okay, fair enough. Thanks Punit.

Moderator

The next question is from the line of Deepan Sankar from HSBC Invest Direct. Please go ahead.

Deepan Sankar

Good evening, sir. My question is on the outlook on advertisement revenues for the full year or so and also how is the festival season looking?

Atul Das

I just talked about a little while earlier that on advertising revenues, the visibility is not very high. While we saw some improvement sequentially on a like-to-like basis excluding sports, we are still on to the third quarter and it will be difficult for us to comment. When we started the year we were looking at something like a double digit 12-13% growth. Definitely, double digit looks difficult. And to quantify exactly how much growth we can achieve will be difficult to comment at this stage because environment is still not very stable and as Mr. Goenka has remarked in his opening speech also, advertising spends do look a little weak this year compared to last year. So one has to be a little cautious on that.

Deepan Sankar

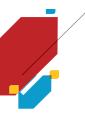
Okay, and my second question is, how is the response from MediaPro initiative and how we are able to get more from local cable operators? How is the response as such?

Atul Das

MediaPro has just started operations during the quarter gone by. It started operations on July 1st. So it is still early days. We of course do expect the company to give us good returns in terms of high subscription revenues, but as you would know, the cable subscription business contracts usually







happen for a year and while the new company has been formed, several contracts have already been signed. So much of the benefit of the new company will come as it starts signing those contracts when they come up for renewal. It will be seen with a lag of three to four quarters. Otherwise, we are very confident that MediaPro will be effective in terms of getting better revenues from the ground.

Deepan Sankar Okay sir. Thank you.

Moderator The next question is from the line of Siddharth Goenka from JM Financial.

Please go ahead.

Siddharth Goenka Hello and thanks for the opportunity. Sir, as we understand, you cannot give

a split between DTH and non-DTH for domestic subscription, but can you

give us how many DTH subscribers do we have?

Atul Das If it was possible we would have given all the details as we have been giving

so far. What I can tell you is that the trends are in line. So no changes have happened in terms of trends. We continue to see the similar trends as we

have seen in the last few quarters.

Siddharth Goenka My other question is on our other sales and services item. We have seen a

sequential jump. So can we expect this kind of a number to continue for the

forthcoming quarters as well.

Hitesh Vakil Other sales and services includes syndication sales as well.

Siddharth Goenka Okay fine and sir, on the sports losses side, we have already done 80 crores

of sports losses in first half and our earlier guidance was around 100 crores. So do we continue to guide a similar level or there might be a higher sports

losses going forward?

Punit Goenka No, we are pretty confident that we will be within the 100 crore range.

Siddharth Goenka Okay and just one last question. Finance cost has also jumped. I mean some

Rs.55 million. So what does this include?

Hitesh Vakil This includes by and large the Forex loss on conversion and realignments.

Siddharth Goenka Okay, that's it from my side. I will come back if I have more queries.

Punit Goenka Thank you.

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

Securities. Please go ahead.







Amit Kumar Thank you so much for the opportunity. Sir, I just missed one of the points

which you mentioned. What is the net cash level at the end of this quarter?

Punit Goenka Rs.11.1 billion.

Amit Kumar And how much I presume of 2.3 billion versus last quarter would have gone

into dividend payout and how much is gone into share buyback during the

quarter.

Atul Das It's 1.65 billion till date. (Management comment: During the quarter, it was

Rs 1.46 billion)

Amit Kumar 1.65 billion thank you. Just one more question in terms of the digitization

fee. I was looking at the FY11 annual report. There is business promotion expense of 150 crores in Zee. Presumably this is the carriage and placement fees. Could you just quantify roughly how much of this would be carriage

and how much would be placement broadly?

Punit Goenka For us carriage and placement is the same.

Amit Kumar Not necessarily right, I mean carriage is just for carriage of your channels

and placement would be for prime bands or color bands right. Just a broad sense as I don't require absolute numbers, but which is the majority piece here. Is it more geared towards carriage fees or more geared towards

placement?

Hitesh Vakil It is absolutely for placements.

Amit Kumar Okay. Thank you so much if I have any other questions I will comeback.

Punit Goenka Thank you.

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

of America. Please go ahead.

Pratish Krishnan Thanks. Just want to understand the overall ad environment, particularly

getting to the festival season. Are these spends still kind of subdued or you

are seeing some kind of recovery?

Atul Das Pratish, we just answered that question. In fact, we are not in the best of

situations to be able to give a number on that and which is largely linked to the environment we are in and also market dynamics. So, suffice to say that it is a weak environment and we are trying to do our best to see how we can

get a growth within that space.







Pratish Krishnan

Okay, and is there an issue in terms of volume share or do you think there is

pricing pressure or something, where is the disconnect?

Atul Das

Well, when the ad environment is weak, both get impacted and then it is a choice at what rates you sell. So I mean last quarter we didn't see much of an impact on price. This quarter, there would have been some impact, but balanced by some volume increases. But it is a large network of 27 channels,

so to be able to generalize anything on that is very difficult.

Pratish Krishnan

Fine. Sir, what is the reason for not sharing the DTH number.

Atul Das

We explained that in detail. Till last quarter, we were doing the revenues through our own entity Zee Turner. Since July 2011, a new entity which is a joint venture between Star Den and Zee Turner has been formed. It is Media Pro and Media Pro gives us license fee, which is net of expenses and it is not really split up in proportion of each of the revenue streams. So while we have an understanding of what the revenues streams are, but we don't get an exact number and therefore it will be unfair for us to report a number which is so much of DTH revenues and so much of cable revenues and that is the reason why we are not sharing. But I also mentioned that the growth levels and the trend lines are line with our past trends. There is no major change there.

Pratish Krishnan

Okay, fine thanks a lot.

Moderator

Okay fine thank you. The next question is from the line Bijal Shah from IIFL. Please go ahead.

Bijal Shah

Hi, this is Bijal. Thanks a lot for the call and congratulations for good set of numbers. Overall just wanted to understand that as far as this quarter's performance is concerned, looks very good. What makes me worry is that there is meaningful slowdown as far as the buyback is concerned. So is it that the management is thinking that future is probably pretty bad and you can get the stock at much cheaper rate?

Atul Das

Bijal, well that is not the situation, but I think no one knows how the markets are going to behave. Markets have been weak. We have our approvals up till March 2012. So we have enough time and we are going at our own pace.

Bijal Shah

Okay, second question is on rating. On advertising revenues overall on a q-o-q basis also, revenues looks very good and we have seen meaningful deterioration in our flagship channel rating. So should we say that this quarter, we are hardly impacted by lower ratings and impact of lower ratings would be seen in the coming quarter?







Punit Goenka

No Bijal, having a bouquet strength of 27 channels does give that cushion against one genre or one channel of ours not performing well. That is one of the key reasons that it is still where it is, but it will be difficult for us to say that the impact of the rating is not there in this quarter. I think it is there already and it will remain till the time the turnaround takes place or things start improving. We are still confident that our power ratios still are very good in the market. So therefore we have been less impacted.

Bijal Shah

And last question is on increase in original programming hours. So even if the advertising revenues outlook was to deteriorate from here on, are we still committed to spend more on original programming or it is contingent upon advertising outlook improving or remaining stable?

Punit Goenka

No, I think the need of the hour is that we have to get the requisite number of hours of programming up there. Now that does not mean that we do senseless hours of programming. If the current lead prime band of the prime time is not performing, there is no point in doing ancillary programming yet, right?

Bijal Shah

That is right.

Punit Goenka

So one would have a strategic way of doing it. That could at worse delay things plus or minus here and there, but the plans of the Company to go to this kind of number of hours is sacrosanct.

Bijal Shah

I mean 31 or 32 hours what you indicated looks much higher than what we have done so far. So are we planning to get into afternoon bands or distribute primarily prime time and weekends?

Punit Goenka

Bijal, I would prefer we don't discuss strategy with slots and all because as you know this is all competitive information. I will just stick to what I just said that once the primary slots are all filled up and doing better than what they are doing today is when one starts focusing on ancillary slots. So that is the way to move forward.

Bijal Shah

Okay. Thanks a lot and all the best.

Punit Goenka

Thank you.

Moderator

Thank you. The next question is from Rohit Dokania from B&K Securities. Please go ahead.

Rohit Dokania

Sir, good afternoon and thank you for this opportunity. Just two or three very quick questions. Carriage is not a part of the MediaPro or is it?

Punit Goenka

No, it is not part of MediaPro.









Rohit Dokania Atul, could you please explain the fall in expenses quarter-on- quarter?

Punit Goenka Well, Zee Turner people having moved out of our books today would be one

large thing and the balance comes from any efficiency that we brought into

the system.

Rohit Dokania And just one final thing, you know if I look at your press release on page #6

there is actually a break up of domestic DTH revenues and domestic cable revenues. So this breakup is sacrosanct, can we just take this break up

assuming it is the same thing that would have been reported earlier?

Atul Das That is an indicative trend, but we are not giving out exact numbers.

Rohit Dokania Fair enough. Thanks a lot and wish you all the best.

Punit Goenka Thank you.

Moderator Thank you. The next question is from the line of Shlok Dave from Sandstone

Capital. Please go ahead.

Shlok Dave Thank you. We have two questions. The first question is what is the impact

that you see on subscription revenue as magnitude and also within what time frame does this ordinance actually become a law and do you think that the ordinance is going to be effective as quickly as the market has assumed.

Our second question is for the past couple of years, DTH users have been growing much faster than your own content cost. So the DTH guys have been getting a sort of edge. Going forward, do you expect that this ratio will continue or you expect the programming cost to grow faster than your user

base?

Punit Goenka Well, first of all, on the ordinance that has been passed. I am not an expert,

but as I understand, it will be a law very soon once it is signed by the President. The dates put in there, as I said earlier also, are pretty aggressive with the four metros being targeted by March 31, 2012 as the sunset date. As you know, there are about 18 million odd homes (in the four metros) that need to be digitized, which is a big number as you understand. Having said that, I think we should take it in a spirit that it is a beginning and we do believe that the industry as well as the government is in favor of this. Hence, you know the current number where we have been seeing DTH alone doing 10 million subs on an average year-on-year. This would only accelerate that

by a significant number we hope.

Shlok Dave What would be the impact on revenue from subscribers if digitization

happened?





Atul Das

I don't think digitization would affect the revenue per subscriber. It would largely affect the subscriber base. I mean revenue per subscriber will change if the digitization happens along with change in ARPUs for the digital subscriber, whether it is through DTH or digital cable. So we cannot predict at the moment, but depending on how the digitization rollout happens from the cable and DTH guys, that we will be able to see only later.

Shlok Dave

What I meant is that you are not getting gain on certain subscribers on the analogue side.

Atul Das

So that will increase the declarations and therefore will increase the subscriber base. Not the per subscriber revenue in that sense.

Shlok Dave

Right, what I meant was subscribers, declared versus actuals.

Atul Das

Yes, of course that will change. Declared numbers will go up.

Shlok Dave

Right, but what is your best case in six months?

Atul Das

It all depends on how we see it happening. Really, it is not in our hands. We are happy about the fact that the ordinance has been passed and will get implemented, but we have to wait to see how it happens. The only logical thinking that one can do is that it was happening at a certain pace on a voluntary basis and now there is sunset date. We still don't know how the government will ensure implementation of sunset date, but assuming even if we are half successful, it should be good.

Shlok Dave

And on content cost for DTH operators?

Atul Das

Content cost is again not really linked with this issue of digitization. It is dependent on, for example, our company Media Pro, which is a joint venture and which will be negotiating for us the DTH revenues, which is the content cost for the DTH players. And as you know, some of our costs are fixed with DTH players and as those contracts come up for renewal and depending on how digitization has moved, those contracts will be renewed in the same light taking into account the digitization impact. So again to be able to give you a straight answer that how much impact of that will be there, we don't know.

Shlok Dave

I didn't really mean the digital, my question was that in the past couple of years, DTH users have grown faster than your own content cost. So I am trying to figure out in the next couple of years, will we expect their programming cost to grow along at the same line as their user base is, as the same percentage rate or do you expect it to be lower?







Atul Das Unfortunately, you know this subject is really not related to our business in a

very direct way. So we can do it in offline rather than discuss this on the call

here.

Shlok Dave Okay, thank you.

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

Securities, please go ahead.

Vikash Mantri Sir, just wanted to understand the tax rate. Why has it been so low in the

first two quarters and given it has been low, why do we expect it to go to

30%.

Hitesh Vakil Vikash, first two quarters has seen some exceptional losses on account of

sporting events and most losses are already there. If you relate it to the guidance given on the sports losses, perhaps that will answer your question.

Vikash Mantri Okay, and sir in terms of the international subscription revenue, we should

have had a positive benefit of the Forex movement. That also has not been

seen.

Hitesh Vakil Yes, but then there is also some cross-border realignment which has

happened. The Company has suffered a loss on realignment and remember for P&L purpose, we take the average effective rate and not just the closing

rate.

Vikash Mantri; Okay fair enough sir, thanks for this.

Punit Goenka Thank you.

Moderator Thank you. The final question is from the line of Hiren Dasani, please go

ahead.

Hiren Dasani Thank you. I just want to understand this Media Pro thing. May be my

understanding is correct, I don't know. So earlier you were recording the subscription revenue through Zee Turner and then it was flowing into the parent Zee and obviously under consolidation everything was getting reported. But now it will be captured first in MediaPro and then from there it will go to the Zee Turner and from there it will go to Zee. Is that correct

understanding?

Hitesh Vakil No, that is not correct. Each company will get net license fee directly from

Media Pro.

Hiren Dasani Okay, I was just asking from the point of view of would there be any leakage

in between in terms of some service tax or anything?







Hitesh Vakil Absolutely no, service tax is just the pass through.

Atul Das In fact, there is no impact on the EBITDA level or the operating profit level.

Earlier we used to gross up in the sense that we recorded the full revenue and the expenses were also recorded in the expense line. Now we are getting our license fee share as net of expenses. So our revenue to that extent is less, but also so is the cost. So there is no impact on the operating

profit.

Hiren Dasani And just why wouldn't you have been able to do that in the earlier structure.

Hitesh Vakil Well, if I explain you the earlier structure, Zee Turner was billing directly to

the cable operators and DTH players now done by Media Pro. But Zee Turner was our subsidiary and we were doing line-by-line consolidations, so all the revenue of Zee Turner was captured as gross revenue in our books. For Media Pro, we don't consolidate line-by-line. So whatever license fee that we bill to Media Pro and what Media Pro pays us back is our

subscription revenue.

Hiren Dasani Okay great thanks for this information.

Atul Das Thank you.

Moderator Thank you. I would now like to hand the floor over to Mr. Kanwaljeet Singh.

Would you like to add a few closing comments, sir?

Kanwaljeet Singh Thank you all for joining us here. We hope to have the transcript of the call

on our website www.zeetelevision.com soon. We look forward to speak to you again at the end of third quarter of fiscal 2012 or even earlier on one-to-

one basis. Thank you and have a great day.

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

concludes this conference. 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.



