



ZEE ENTERTAINMENT ENTERPRISES LIMITED

2Q FY2008 TELECONFERENCE
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Moderator: Good morning Ladies and Gentlemen. I am Rita, the moderator, for this conference. Welcome to the Zee Entertainment Enterprises conference call. For the duration of the presentation, all participants' lines will be in a listen-only mode. I will be standing by for the questions and answer session. I would now like to handover the floor to Mr. Atul, thank you and over to sir.

Atul: Thank you, good afternoon and good morning ladies and gentleman. Thank you for joining us today to discuss the results for the quarter ended September 30, 2007, which is the second quarter for fiscal year 2008. We do hope that you had a chance to go through the earning release and the copy of our financial results, which is uploaded on our website www.zeetelevision.com. This is a second earnings call we are conducting for Zee Entertainment Enterprises Ltd for the fiscal year 2008. To discuss the results and performance, joining from London is Mr. Subhash Chandra, Chairman of Zee Entertainment and members of the senior management team of Zee, including Mr. Puneet Goenka, Whole-time Director, Mr. Hitesh Vakil, Director – Finance, Mr. Himanshu Modi, Head of Sports Business and my colleague Mr. Aditya Saxena.

We will start with a brief statement from Mr. Chandra on the second Quarter performance and then we will open up 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 that must be taken in the context of the risks, that we face. With this, I now handover to Mr. Chandra, Chairman of Zee Entertainment Enterprises Limited.

Subhash: Thank you Atul. Good morning and Good afternoon ladies and gentleman. Thank you very much for joining us today to discuss the results of the quarter ended September 30 2007, which is the second quarter for the fiscal year 2008. Zee Entertainment finished the second quarter of FY08 with a substantial operating profit growth of 508% to Rs. 1,321 million compared to the corresponding quarter of last fiscal. The operating margins improved to 33.1% in comparison to the 6.2% margins during the second quarter of last fiscal.

Let me now summarize the results for the second quarter. Total consolidated revenues have grown to Rs 3.98 billion, which is up 14% compared to



corresponding quarter last fiscal. On the cost front, our expenditure was lower by 19% to Rs 2.67 billion. The cost was still high during the corresponding quarter last year because of BCCI Sports Rights. Operating profits have gone up strongly by 508% to Rs 1.32 billion thereby recording a significant improvement in the operating margins to 33.1% over 62% in the corresponding quarter last fiscal. Profit after tax, before minority interest has gone up to Rs 971 million compared to Rs 210 million in the corresponding quarter last fiscal.

I will go through the results of second quarter of 2008 in more detail to get a clearer picture for the second quarter performance on a like-to-like basis. Advertisement revenue was Rs 2,195 million for the quarter ended September 30, 2007 an increase of 28% as compared to the corresponding period last fiscal. If we compare on a like-to-like basis with the corresponding quarter last year when there was sports revenue on account of BCCI Cricket Rights, and if we strip that out, then our advertising revenues have grown more than 60% over the same period last fiscal. This as can be seen, is a multiple of the industry growth, which remained at 16% to 17%.

As you may be aware, the performance of all our channels has improved significantly in the last one year. Particularly the flagship channel, Zee TV has gained market share very strongly. We believe this momentum should continue in the coming quarters and we should be able to achieve our target or exceed them. Subscription revenue was Rs 1,625 million for the quarter ended September 30 2007, an increase of 10% as compared to corresponding period last fiscal. The numbers are affected mainly because of the Rupee appreciation impacting our international subscription revenue stream. International subscriptions are almost half of our total revenue and hence the current fluctuation has negatively impacted our growth. Also, there has been some delay in rollout of the CAS in the areas other than 3 metros in India impacting the projected growth.

Therefore, if you look at the advertising revenue and the subscription revenue, our guidance has been about 25% growth in both areas. So the subscription revenues are likely to close for the full year at about 15% and the short fall of that will be more than made up by advertising revenues in this full year; that is the kind of guidance from our side.

Operating profit was Rs 1,321 million for the quarter ended September 30 2007, a growth of 508% over second quarter in the last fiscal then it was Rs 217 million. The substantial growth has been led by robust increase in advertising revenues



and due to base affect of programming cost on sports, which I have explained before.

Coming to channel-wise performance, we are pleased with performance of flagship channel ZEE TV. It has been successful in not only bridging the gap with the genre leader substantially, but has also surpassed the genre leader in the entire primetime. In terms of reach, Zee TV during the quarter averaged a channel share of 30% in an all day's viewership rating which is up from 25% in the previous quarter. The channel rating has grown across all the time bands and has averaged 310 GRPs in the recent weeks from an average of 234 GRPs in the previous quarter.

On competitive position, because of successful shows like Saat Phera, Kasam Se, etc, we are leading the 5 p.m. to 10 p.m. time band on the weekdays. During the weekend, our musical show Sa Re Ga Ma Pa became the top program in Hindi general entertainment segment despite the fierce competition from the shows based on similar formats. As a result, now we have around 20 programs in the top 50, which is higher by 3 to 5 programs every quarter.

On the other channels in the Zee Bouquet, Zee Cinema has maintained the leadership position through constantly launching new properties, the last being Showman Show, a tribute to the India's legendary filmmaker Raj Kapoor and Subhash Ghai. Klub, which is targeted at the youth, showcasing relevant movies and Cinema Hall, which is movie-viewing experience for the family at home, have also enabled us to further consolidate the appointment viewing. In the English language offering, this quarter Zee Café is currently the leading channel in the English GEC space both in all day and in prime time. To capitalize on this lead, this month we announced launch of 11 new programs of which, most shows are current season episode from the US. Zee Café today is the first channel in the country to run popular sitcom simultaneously with there launch in US, thereby realizing its core proposition to its viewer.

In the sports business, revenues during the second quarter was Rs 422 million and the EBITDA for the second quarter stood at Rs 3.5 million in comparison to the EBITDA loss Rs 3 million during the first quarter of the current fiscal year. The second quarter FY2008 has seen Zee Sports and Ten Sports reinforce their position in both football and cricket. During the quarter, Zee Sports and Ten Sports together were leaders with 52% relative channel share, more than twice that of the closest competitors.



Coming back to the revenue stream, our domestic subscription was Rs 775 million during the second Quarter. While international revenue was Rs 850 million. Revenue from DTH in India was Rs 125 million.

The Indian television industry is going through a very interesting phase of transformation from analog to digital, which has positive implications for all the players in the media value chain. We are confident that Zee Entertainment would be a big beneficiary of this change through unlocking of its revenue potential. We look forward to the rest of the year with optimism and I assure you that we will continue to deliver higher values to our viewers and the stakeholders.

Thank you very much. Now we would like the open floor for question and answer. Atul, we can start taking the questions.

Atul: Thank you sir, Ladies and gentleman we are ready for questions now, but before that, I would request all participants to please limit themselves to two questions, so that we can get on as many people as possible.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions kindly press *1 on your telephone keypad. On pressing *1 participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question kindly press *1 now. First inline we have Mr. Ruchit Mehta from HSBC, over to you sir.

Ruchit : Good morning sir, and congratulations on the results. Sir just wanted to know, I was a little puzzled at DTH revenues being flat on a quarter-on-quarter basis. Is it just more to do with the timing in the sense that do you get the money from the DTH operators?

Atul: Well the DTH revenue stream is in line with the revenue streams of Dish TV, which they have declared the results, so it links to their revenue streams. There has been a slight growth there, even when subscriber numbers are getting added. So it is a reflection of a content cost that their revenue streams share. So Zee is getting a fair share of the total content cost that Dish TV is paying. Growth will come fully over the next few quarters.

Ruchit : Okay sir, just to make sure, this quarter numbers would start reflecting in from say third and fourth quarter onwards.



Atul: Yeah.

Ruchit : And on the advertising front now, we are almost close to becoming number 1 on Zee TV as the main channel. As all the ad rate hikes that you have been talking about when do we actually see the effect coming into play, I mean when do we see advertising growth being much higher than what you are seeing right now, because of the ad rate hike and also the channel share.

Subhash: Well the broadcasters all together have agreed to hike the rates by at least 25%, which was resisted by the advertising agencies and the clients. So as a compromise they have all agreed that this will be applicable from January 1 2008. In the meanwhile, we did take some price hike, a couple of months back. And as the ratings continue to improve, we will continue to revise our rates upwards.

Atul: And also, Ruchit if you see our numbers that Mr. Chandra explained in his opening remarks while you might see the growth at 28%, which is not small from year-on-year basis, but last year in the second quarter, there were some additional revenues on Sports because of BCCI matches. So if you really compare on a like-to-like basis then our growth has been far higher at 60% plus from advertising revenues.

Ruchit : Can you just for everybody here, give us a figure what would have been the additional revenues at the associated cost that you would have had last year so that we can look at sort of comparison, thanks a lot.

Hitesh: Well if I answer, these costs accounted for nearly Rs 1,064 million loss last year.

Ruchit: Okay fine, thanks.

Hitesh: So that is the impact unfortunately I am not at liberty to share the revenue and cost details.

Ruchit : Not a problem. Okay thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Aditya from CitiGroup, over to you sir.

Prithvi: Hi this is Princy from CitiGroup. My question is on subscription revenues, just wanted to get a sense of what is happening to the growth in the domestic subscription revenues excluding the DTH numbers. Since for the 2-3 quarters we



have been seeing the growth being slightly week. Is there any specific reason and when do we expect this growth to start looking up again.

Subhash: The thing is that as you know and you must have been reading about it. Lot of confusion is existing regarding the domestic subscription market. The regulator has been coming up with many recommendations, which may seem confusing. so I do not blame the general public if they are confused about the industry. That is the reason the cable operators are always finding an excuse for not paying the dues, but we are working on it and it should be, whatever confusion exists should get over, in next 1 or 2 quarters, and then we should see higher growth in subscriptions matching or exceeding the advertising revenues.

Prithvi: Right, thank you very much sir.

Moderator: Thank you very much sir. Next in line we have Mr. HR Gala from Quest Investment, over to you sir.

Gala: Congratulations Mr. Chandra for superior results that you have produced. Sir can you hear me.

Subhash: Yes, I can hear you.

Gala: Sir in the initial remarks you gave the guidance that this year FY2008 we should see subscription revenues to grow by 15% as compared to what earlier we were expecting around 30%-31% type of growth.

Subhash: 25% guidance we had given for subscription as well as advertising.

Gala: And what will be your guidance for the EBITDA margin.

Atul: EBITDA margin this quarter has been 33% and hopefully we should be able to maintain those margins.

Gala: Okay, what is the current level?

Subhash: 33%.

Gala: Okay 33%. Sir will it be possible for you to tell how much was that BCCI revenue and cost in the Q2, you know excluding which you said it will be about 60% increase on like-to-like basis in the ad revenue.



Atul: Yeah around Rs 40 Crores was the revenue in the second quarter, So that is how the growth comes to 60% plus.

Gala: Okay fine.

Atul: If you strip that out, revenues of Rs 135 Crores comparable to Rs 219 Crores.

Gala: Okay fine. My last question is can you throw some light on our new initiative to launch Zee Next, what kind of capital expenditure and revenue prospects do we look at it.

Puneet: In terms of Zee Next, Capex requirement is not big. We are looking at just about Rs.20 million to Rs.30 million on Capex, but the operating expenditure will be substantial because we are going after the GEC market itself, but as Hitesh has mentioned that we do not share the numbers on channel wise basis, but it will be in line with the industry benchmarks.

Gala: Okay when are we going to launch it.

Puneet: It will be launched within this calendar year.

Subhash: Mr. Gala, see in this Zee Next whatever will be the cost that would be substantially programming cost. As you know programming cost, we write off almost 85% on the first screening itself. So capital cost is not more in this because we are established and we have all the necessary equipments and everything over there.

Gala: Okay, when do you expect, if we launch it by calendar year 2007, when will this channel breakeven.

Puneet: Mr. Gala, Puneet here again. See at this pace for any new business a period of 36 months for the breakeven.

Gala: 3 to 6 months?

Puneet: 36 months to breakeven.

Gala: That will be cash breakeven or total breakeven.

Puneet: Total breakeven.



Gala: Okay, thank you very much, wish you all the best.

Moderator: Thank you very much sir. Next in line we have Ms. Saloni from RARE Enterprises, over to you ma'am.

Neeraj: Hi, Subhash this is Neeraj instead of Saloni. Quick question actually on the DTH, you know the subscription revenues that we get from DTH, can you throw some light on the numbers that we have achieved there and how is the revenue from there panning out.

Atul: Mr. Neeraj, the revenues that flow into Zee, on the account of the DTH business. For this quarter it has been Rs.125 million and these are paid to Zee for the content that it provides to the platform.

Neeraj: Understand that, sir, so I just wanted to know the numbers that we had and you know how this 12.5 Crores come, because I am sure we also have content that we provide to Tata Sky which is the other platform. So how many connections, you know what is the discount happening there. And how does this 12.5 Crores come into because I am trying to do the numbers, just I struggled with them.

Atul: We can, but this is probably not the forum to discuss in detail on those numbers. We can discuss that separately.

Neeraj: That is fine, will do that offline sir. Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Manish Bhandari from ING, over to you sir.

Manish: Hi Mr. Chandra, if you could throw some light on the increasing competition which is going to hit general entertainment side of the business next year onwards. So how you are planning to cope up maybe from the challenges you face on the manpower perspective.

Subhash: We had taken a decision that we need to keep a bench strength of 15% in the crucial areas, to take care of the current situation. While there has been some attrition in the middle and lower middle levels in the last 6 months, but our businesses has not been impacted. We are working on this further.



Manish: What is the ESOP plan and how you plan to motivate people, like what is the ESOP plan?

Subhash: Well ESOP plan maybe an additional motivator, but when the compensation levels are going up, one has to evaluate things. ESOP plans may not necessarily help. However, we do have plan, which we have presented to the board meeting yesterday but there are some queries, so next board meetings they will approve the ESOP plan.

Manish: Okay, alright. And my second question is regarding your initiative on the cricket side and how Zee get involved in, what kind of number we can expect in terms of Capex.

Subhash: Indian Cricket League is a separate initiative. It is not under Zee Entertainment Enterprise. It is a separate entity where we, as promoters and ILFS they are partners. We will end up spending there and with losses of about 100 Crores till the time it start making profit. In the same time, Zee Sports will be telecasting the rights and will pay the revenue share to Indian Cricket League as an organization. So Zee Sports will not have any losses initial losses in its own books, it will be the Indian Cricket League which will be booking the losses.

Manish: If I understand correctly, you said till Rs 100 Crores. So what happens if the losses are there?

Subhash: After that, it should start turning around and start making profit.

Manish: So Zee in terms of its financial, does not get Zee as a listed entity does not get involved in?

Subhash: In those losses, yes.

Manish: Alright, thank you.

Moderator: Thank you very much sir. Next in line we have Ms. Tanu from Quantum Asset Management, over to you ma'am.

Tanu: Hello, I just have questions on the content side of the business, like you have 20 programs which are in the top 50. So your TRPs have gone up, your market share we have seen is gone up. So I just wanted to understand what is the dependence on the content players, how many players are, you know are you all sourcing



content from is it a few of them, or is it more diversified in that sense. And also could the content vise, because your TRPs have gone up, the money that you pay them is the TRP linked and so could you have a best on your content cost going forward because you are doing well now.

Subhash: Puneet.

Puneet: Yes. We at Zee has always proud of the fact that we have the most diversity in the number of production houses we utilize or outsource our content production to. We have close to about 14 production houses working on Zee TV alone, this is for current shows which are on air and for potential shows that may require to be on either for replacements or new shows. Our payment structures are linked on cost plus basis and we have a TRP incentives linked payment structures, which ensure that the production house makes enough gains if the program is doing well, but also keeps our base cost under control.

Tanu: So are you saying it is the combination of both, is it.

Puneet: It is ma'am yes.

Tanu: It is, and what percentage would be TRP linked if you could share that with us.

Puneet: It would vary from program to program but it tends between 15% to 30%.

Tanu: Will be TRP linked.

Subhash: We will want it to be higher, if the ratings are doing well and the producer is getting more money, we do not mind. We do not expect a huge cost escalation because of the competition.

Tanu: Right, because there are so many channels which are lined up whether it is INX or NDTV you ...

Subhash: Many of them they are really throwing quite a lot of money and may not make money ever. I mean we have seen that the industry, we always have certain benchmarks in terms of cost of programming versus revenues. We have benchmark of cost of human resource versus revenue, in every single head we do keep those things in minds and we try to maintain those ratios, but the kind of monies that are being thrown by the newer people is out of comprehension.



- Tanu:** So you are saying for Zee at least that is not like really a cause of worry.
- Subhash:** It's a cause of worry to the extent that if the private equity players loose their money it will bring the bad name to the whole industry as a whole.
- Tanu:** But do you see for the industry is there any shift in terms of bargaining power towards contest guys from broadcasters or is it.
- Subhash:** No we will continue to develop newer and newer people, But most of the producers will stay with us despite our payout to them maybe lower then the newcomers.
- Tanu:** Right and lastly all for this quarter you all have 30% market share, could you tell us how much would Star and Sony be for the same time.
- Punit :** Sony is roughly about 14%.
- Tanu:** Okay and Star would be.
- Punit :** Star is there about 32% and 33%.
- Tanu:** Okay thanks for talking thank you so much.
- Moderator:** Thank you very much ma'am. Next in line we have Mr. Balaji from Sundaram Paribas. Over to you sir
- Balaji:** Yeah good morning to the Zee Management team, I just have one question. From November I think there is going to be a Twenty-20 cricket tournament, which is going to come in Star. So you know I just want to know if this I feel content is it exclusively only for Zee Sports or ICL can also sell it to other sports channels.
- Subhash:** Well theoretically it can sell to other sports channel if somebody gives higher money. But it is not going to do that in the beginning because I feel we will also get benefited of Zee's muscle power of mobilizing and getting the entertainment industry behind its event. So that's why it is getting exclusivity.
- Balaji:** So from the next quarter is it right to assume that there will be good traction in Zee Sports ad revenues owing to this new cricket league matches which is going to commence.



Subhash: Himanshu.

Himanshu: Yes sir there will be, I would just like to add that we would also be sharing the ICL matches with Ten Sports so there will be commentary in then English on both the channels. And then some other non-India cricket that is there about on Ten Sports like this South Africa, New Zealand series.

Balaji: Okay so have you actually bought the rights from ICL?

Himanshu: Sorry.

Balaji: Have you bought the rights from ICL?

Himanshu: The rights will be on as I said on Ten Sports and Zee Sports and there will be a revenue share arrangement that will be worked out between the two, and event is concern.

Balaji: Okay thanks.

Moderator: Thank you very much sir. Next in line we have Mr. Amnish Agrawal from Motilal Oswal. Over to you sir.

Amit : Yeah good afternoon sir, excellent set of numbers this is Amit Roy here, sir I wanted to have a clarification on the cost structure. The employee cost and the other cost has actually seen a sequential decline although it's marginal so far getting it, is this for going trend because employee cost has gone down from 375 million to roughly around 327 and so has the selling and distribution other expenses.

Subhash: Hitesh.

Hitesh: Last quarter there were increments and then incentive payouts and as a result first Quarter is showing higher cost on account of personnel charges. But otherwise the trend is maintained that has reported in this same quarter.

Amit : And so is the selling and other expenses.

Hitesh: Selling and other expenses first quarter, we had Zee Cine Awards and various other events. ...



Amit: Okay and sir secondly on the international revenue the sequential declines was somewhere in the range of 7% to 8% so is it fully explained by the forex, I mean and it will be appreciation or there is something as because rupee would have appreciated 3% to 4% right in the quarter or is it.

Hitesh: As per the account submitted it is 11% devaluation of dollars it has really eaten the growth of entire international subscription.

Amit: Okay and what is the tax guidance I mean because this quarter saw a 30.9% so overall tax rate would remain at 34 to 33 full tax?

Hitesh: We would maintain at the same rate at around 30-32%.

Amit: Okay thanks a lot, thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Priyank Singhal from Edelweiss Capitals, over to you sir.

Priyank: Hi good afternoon, congratulations Mr. Chandra for good numbers. Wanted to understand that slightly earlier you had given the margin guidance of about 33% to 34% at the EBITDA level, was it excluding Zee Next or even after including the expenses on account of Zee Next.

Subhash: It would be for this year, this fiscal year 2008 we will have 33% despite Zee Next.

Priyank: Okay. Is it possible to get just some very rough number for the kind of operating expenses that might be spent on Zee Next, even a very rough number?

Subhash: We would not be able to share Priyank.

Priyank: Okay, fine not a problem sir. Also wanted to understand you know now this is slightly repetitive but just wanted to get some more clarity that the agreement between ICL and Zee Sports there would not be any minimum guarantee or the cost at which it would be sold, is it going to be a pure revenue share agreement.

Subhash: Yeah pure revenue share agreement.

Priyank: And one more question I had which is on the cable front, is it possible to get an idea that out of roughly about 65 odd Crores of subscription revenues that we have



made in this quarter from cable, domestically how much of that might have come from the three cities where CAS has been recently implemented.

Subhash: Priyank because of the some issues over there, this is settling down now, but revenues we can share the numbers Hitesh.

Hitesh: Well under CAS notified areas our revenues is hardly 25% then what it used to be under analog mode. So obviously, CAS rollout has not really helped the company for its growth at this moment the way it is implemented.

Priyank: So that is partly responsible for a slight reduction or slowdown of domestic cable.

Subhash: Going forward, that situation will be getting corrected.

Priyank: I totally agree Mr. Chandra just wanted to understand is it possible to share a number of subscribers you might be getting paid for in the CAS areas.

Subhash: We will have to work out and give it to you later at some stage.

Priyank: Sure sir. And okay one more question I had was on the international subscribers, at this point in time, roughly how many subscribers would be getting paid for.

Subhash: Atul.

Atul: The total number is 4.9 million for international subscribers.

Priyank: Okay.

Atul: Which was 4.6 million in the first Quarter of 2008.

Priyank: 4.9 million is what we are getting paid for internationally is it.

Subhash: Yeah.

Priyank: Okay. And one final question Mr. Chandra is on the surcharge, you know what is the, is Zee in favor of this 25% surcharge and how is it likely to impact, because typically given the fact that we have seen strong traction on the shows specially on the prime time. We anyway would have taken a rate high, so does it mean that you know a 25% surcharge actually would, to some extent benefit the smaller broadcasters, because the larger ones, you know especially the stronger positions



would anyway be in a situation of taking the rate hike by themselves without any help from ...

Subhash: You are right in strict terms in this issues, but we at Zee we take a long term view as a industry leader rather than just being very selfish. So that matter I think the advertising revenues should be far higher than what they are today because the overall cost per thousand on TV is very low. So we take a long-term view and we will support such thing rather than being totally selfish.

Priyank: But is there a likelihood of some of the ad budgets from the advertisers front shifting to print because on a relative basis television.

Subhash: No print is four times more expensive then television.

Priyank: And over and above that is there any other price hike that maybe in the offering or that will be typically around the month of April etc that will take a call on that.

Subhash: The price hike from our individual products is continuous process of happening as the channel performances are improving our effective rates per 10 second is improving and we should continue to do so.

Priyank: Okay, thank you very much sir.

Moderator: Thank you very much sir. Next in line we have Ms. Jashmina from ING Investment, over to you ma'am.

Jashmina: Good afternoon sir, I have a question on your sports business. You had indicated in the press release that we did revenues of 422 million and this quarter we have made EBITDA profit of 3.5 million. Sir so what would be the maximum EBITDA margin that our sports business can achieve.

Subhash: Himanshu.

Mody: As I said earlier, that you know the second quarter and the third quarter of this fiscal, which is what we are in right now.

Jashmina: Yeah.

Mody: Ten Sports because this is the winter time and that is when most of cricket takes place. So there would be a gain in Q4 this year.



Subhash: See Jashmina if I understood your question, your question is what kind of maximum EBITDA margins can come from sports business.

Jashmina: Right.

Subhash: The margins on Sports business can be very high if the whole thing works out well I mean suppose if ICL gets established itself then you will see in the next few years or next coming years lot of substantial revenues coming from sports. Sports channel can become can compete with the general entertainment channel if some things work out well, but that is a long term view.

Jashmina: So can it achieve the EBITDA margin as high at 30%.

Subhash: That is possible.

Jashmina: But when can we see 30% type.

Subhash: Well I would not like to give anything at this stage as you see between Zee and Ten Sports we are in this quarter 52% market share in terms of viewership. As Himanshu said that we are entering into the cricketing season and we have some properties at Ten Sports which are cricket related. So sports business is still heavily cricket centric and in India, but however the kind of initiative we are taking like we have launched Zee Sports in America with Dish Network as a partnership kind of thing which will improve our ongoing revenue stream. We already have close to 20,000 paid subscribers of that channel in America, each one paying more than \$10.00 per subscription per month. So all these efforts are moving in the direction where 12 to 18 months or thereabout we could see and achieve about 25% to 30% EBITDA margins.

Jashmina: And sir you indicated that the ICL telecast will be on a revenue sharing basis, so that means there will not be any amount of provision which would be made in Zee Sports in terms of you know we are not going to pay anything for telecasting tools budgets.

Subhash: We will pay the revenues, out of the revenues we make.

Jashmina: Yeah so it will be only a revenue sharing.

Subhash: Yes.



Jashmina: Okay. Thank you sir.

Moderator: Thank you very much ma'am. Next inline we have Mr. Miten from HDFC Mutual Funds, over to you sir.

Miten: Good afternoon sir. On the sports side, it will be very useful if you could give us the operating loss in the sports business in Quarter 2 fiscal 2007 and the same number for Quarter 2 fiscal 2008.

Atul: Miten, we just discussed this question a little while before, advertising revenues on this business in the second quarter of 2007 was close to 40 Crores. And therefore the growth has to be looked on a like-to-like basis after stripping that. And EBITDA loss on this business in the last quarter was around 72 Crores.

Miten: Sure, I did get that 40 Crore number but the 72 Crores probably was, the six month number was discussed not the Quarter 2 anyways in this quarter is it safe to assume that that loss is not existent.

Atul: We have given out the operating numbers.

Miten: Operating margins number okay fine. And just one small clarification, what are saying is that in this entire new CAS environment we have not yet been able to settle with the cable operators as to what this revised level of declaration should be and that is reflecting on our domestic subscription revenues or that is not the case.

Subhash: That is reflecting in our revenues.

Miten: So would it be the case that in Quarter 3 we would get retrospective revenues on the domestic non-CAS subscription side.

Subhash: Retrospective you do not get in the industry and if people do not pay for 3-4 months then do not want to pay, but we will be improving the situations in the coming quarter.

Miten: Okay, would it be again safe to assume that Quarter 3 some sort of agreement on this issue will be reached.

Subhash: Yes.



Miten: Thank you very much for the answers.

Moderator: Thank you very much sir. Next in line we have Ms. Ayesha from Goldman Sacs, over to you ma'am.

Ayesha: Hi there, I just had a question on the advertising front, apart from the 25% hike that you maybe able to get through what sort of pricing you see going forward. Is that dependent on ratings then how do you see that the new channels coming in will have an impact on your growth, do you think you will be able to continue to grow above industry average or below. And the second question would be, you say that the industry will move towards the CPM base?

Subhash: Well we are working towards the industry to move from the current basis to CPM basis, but we cannot say, we cannot put a timeline when it will happen, but it maybe 6 months, it may take another 12 months, but as you may be aware that a new industry body has been or committee has been constituted for looking into the entire rating system and it's impact in the industry. So and they have been, this is already about 40 days old committee they have been given 6 months time to come up with the recommendation and implement them. So moving to CPM basis could be 6 months, could be 12 months up to maximum.

Ayesha: Do you think there would be a lot of adjustments from the advertisers.

Subhash: No I do not think so advertisers would also understand that though natural resistance would be there, but I will they will understand that. So we may move to that basis and then there may not be price increase immediately but price leveling can happen over a time. On the issue for this remaining half year, this year is there, we would still be growing more than industry as I said, we had given guidance of 25% we will grow much higher than that.

Ayesha: That is rising less the above industry average growth.

Subhash: Yeah I am telling that we would be growing much higher than 25%.

Atul: Yeah Ayesha that is correct it is with our market shares growth.

Ayesha: Okay and going forward the 25% rate hikes that has been recommended is that likely to impact on the numbers. And then what side of potential would you have



to increase pricing going forward, is that dependent mainly on your ratings and how would the new channels affect that.

Subhash: Well new channels are not going to come overnight and change the ratings.

Ayesha: And will the 25% rate hike improve your numbers in the next fiscal year.

Subhash: We are not discussing following fiscal year in this second quarter earning call.

Ayesha: Okay thanks very much.

Moderator: Thank you very much ma'am. Next in line we have Mr. Madhukar from Tri colour, over to you sir.

Madhukar: Hello everyone, congratulations on a good set of numbers. My question was on the subscription income in the CAS area. You mentioned that over there the subscription revenue has actually just been 25% of what it used to be, can you kind of clarify as to why that is happening. On what 2 -3 major reasons how much are we losing out.

Subhash: Major reason is that because of we were supporting the CAS implementation and boxes to go into the homes of people. And which was to facilitate the, them supporting the CAS so to speak, like what you know that the TRAI came up with Rs.5 per channel maximum price and things of that kind, but those are the deals which are in existence till December this year. And now going forward from January onwards it will be based on per subscriber so this will get corrected you will have probably as against 25% of what we used to get before, we would shift suddenly to 150% of what we used to get from January –February onwards.

Madhukar: Right. There was also a question mark on the number of subscribers that have actually taken set-top boxes in CAS areas, where do those numbers stand right now.

Subhash: In these three cities there about a million subscribers that were converted into digital thing and about 60% of that is on cable and about 40% is on DTH.

Madukar: Okay. Alright sir, thank you.

Subhash: Thank you.



Moderator: Thank you very much sir. Next in line we have Mr. Shah from Kotak Portfolio, over to you sir.

Shah: Yeah hi, just one question, more of a macro question, in terms of going forward with this intense competition in the sector are you looking to possibly launch a slew of channels to take on competition or how would you really look at strategizing your company going forward.

Subhash: This is not a question, which I can answer that what is my strategy going forward, but we do have a strategy in place that much I can assure you.

Shah: Okay, would Zee Next only be one out of the many channels that you would launch over the next fiscal.

Subhash: Yes that is where we are at the moment, yes.

Shah: And would also look to raise money as other companies have through the private equity route for possibly inorganic growth as well.

Subhash: We have not taken any call on that, raising further money.

Shah: Okay. And what about inorganic opportunities.

Subhash: Always, this is a dynamic industry as you said that most competitive industry and again I would add it is most dynamic industry, also things happen quite unexpectedly at times.

Shah: Okay, thank you.

Subhash: Thanks.

Moderator: Thank you very much sir. Next in line we have Ms. Sandeep from UBS, over to you Sir.

Sandeep: Just a question on advertising growth rates, you in the current quarter September 2007, Rs 219 Crores was the advertising revenue up from Rs 204 Crores. What kind of if we compare sequentially, what kind of growth should be current Diwali quarter give you, would that be a strong impact on revenues given this is generally a third Quarter as a strong quarter.



Subhash: Yeah generally third Quarter is always a strong quarter, I mean the advertising revenues if we take first half versus second half, second half is generally, Hitesh, what is...

Hitesh: Second half is generally between 55 to 60 % of the full year.

Sandeep: Okay.

Hitesh: And the third Quarter being a festival season yes definitely we can see good numbers.

Sandeep: Right. And international subscription revenue, which you have been sharing has sequentially continued to fall from 95 Crores to 85 Crores in the current quarter. And what is happening on international front we have discussed domestic subscription revenues and the problems of competition there, then why is the international revenue continue to fall.

Subhash: Well international subscriber numbers have increased but the de-growth or the rupee valuation of 11% that is the reason.

Sandeep: The subscriber numbers in total have not changed but it is just a 10% -11% change in the rupee rate.

Subhash: Atul.

Atul: Yeah current number has grown from 4.6 million to 4.9 million at the end of this quarter. So numbers are increasing but the impact has been lost due to dollar devaluation.

Sandeep: Okay that is it from my side, thank you.

Moderator: Thank you very much sir. Next inline we have Mr. Awasthi from Lehman Brothers, over to you sir.

Awasthi: Hello Mr. Chandra.

Subhash: Hi.

Awasthi: My question was more to do with the positioning of Zee Next, you know how do you look at the industry moving, do you look at the industry moving more towards,



are you cementing the industry going forward in terms of new channel launches by the genres or by the demographics in the sense that you are saying, you are going to target the whole GEC, full GEC through Zee Next. So are you looking at sort of ranking channel strategy or looking at totally different set of customers at this or the genre is a bit different from compared to the main flagship channel that is one. And secondly, I also wanted to know what is that remains to be done on the Zee flagship channel in terms of moving it forward, I mean are you focusing on the weekend bands are you focusing on the afternoon bands, what is the thirist area which basically propels you to higher ratings.

Subhash: Well the first question we will take offline, we will discuss, because that is a issue of strategic nature. Second, question Puneet can you answer?

Puneet: On the Zee TV flagship channel Prabhat if look at our current fixed point chart which is what our schedule looks like will have about 3 slots to be launched on weekends and 2 slots to be launched on the afternoon band. Our programming line up though we have been working on it for the last few years, not yet complete given the nature of the industry and the competition as a matter of the cautious research and timing that we have to do this business. So I think these slew of launches should propel us into the number 1 position.

Awasthi: So this is the time of this is over next 3 months or 6 months how will it plan out.

Puneet: Within this fiscal.

Awasthi: During this fiscal, okay. Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Gala from Quest Investment, over to you sir.

Gala: Yeah just a follow up question. Can you give us some flavor of what is the other income because it has gone up from 30 Crores to 44 Crores a big jump.

Subhash: Hitesh.

Hitesh: See other income represents various treasury operations, dividends and other income.

Gala: Okay is there any one time engagement or any extra ordinary thing in that or it is all business related.



Hitesh: This is all business related, and steady income.

Gala: Okay so it is recurring sort of.

Hitesh: Sure.

Gala: And how much was the total debt as on September 30.

Atul: It was 297 Crores.

Gala: Okay thank you very much.

Subhash: Atul can we close this because we are getting late.

Atul: Yeah can we take the last question please

Moderator: Sure sir, next inline we have Mr. Nikhil Vohra from SSKI Securities, over to you sir.

Nikhil: Yeah hi. Sir lastly I guess your TRPs for the top rated content was around 11-12 and current few months if we look at the TRPs of the top content TRPs are at 6-7. So effectively I presume that your viewerships literary half for the top rated content, would it not really need advertisers slightly more vary for any advertising hikes.

Puneet: Nikhil, Puneet here, if you look at the TAM panel last year, that was representing close to about 16 million television homes that were being represented through ratings that is how you are getting numbers like 11 – 12, Now in Nielson panels we are representing close to about 37 million homes all India. And that is why the numbers are down to 6-7 but if you take a relative share it is still a much higher viewership than what it was last year. Secondly I would also like to add that in India today all the reports claims that we have 72 million cable and satellite homes with home roughly about half of the population is still not covered by the rating panel so they are still watching television. in other words, we expect the advertising rates to go up not go down.

Nikhil: So what is the usage from 16 million for year how much is the current panel sample?

Punnet: 37 million.



Subhash: But we still have 50% what it should be.

Nikhil: Okay. Thanks very much.

Moderator: Thank you very much sir. At this moment I would like to handover the floor back to Mr. Das for the final remarks, over to you sir.

Atul: Thank you ladies and gentlemen for joining us for the second quarter report. We hope to have a transcript of the call very soon on our website. We look forward to speak with you again in the next quarter or even earlier on a one-to-one basis. Thank you and have a great day.

Subhash: Thank you. Bye.

Moderator: Ladies and gentlemen. Thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your line. Thank you and have a nice day.

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