



ZEE NEWS LIMITED

4Q FY2008 TELECONFERENCE
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Moderator: Good evening ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the Zee News 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 question and answer session. I would now like to hand over the floor to Mr. Hitesh Vakil. Thank you and over to you sir.

Hitesh: Good evening ladies and gentlemen and thank you for joining us today to discuss the results for the quarter ended March 31, 2008, which is the fourth quarter for fiscal year 2008. We hope that you had a chance to go through the earnings release and the copy of results which is uploaded on our website www.zeenews.com. This is the fourth and the final earnings call we are conducting for Zee News Limited for the fiscal year 2008 and to discuss the results and performance, joining me today is Mr. Subhash Chandra, Chairman of Zee News Limited and members of the senior management team of Zee News including Mr. Barun Das, CEO and Head of News Segment, Mr. Ramprasad, CEO, Southern Language Channels, Mr. Puneet Goenka and Nitin Vaidya, Director and Head for regional language channels and Mr. R.K. Agarwal, CFO, Zee News Limited.

We will start with a brief statement from Mr. Chandra on the fourth quarter performance and then we will open the floor 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 context of the risk that we face. With this, I now hand over to Mr. Subhash Chandra.

Subhash: Thank you Hitesh. I would like to welcome everybody to this call ladies and gentlemen. We appreciate you joining us for the fourth quarter results of fiscal year 2008 of Zee News Limited.

Zee News Limited has shown good performance during the quarter and recorded a steady growth in operating revenue of 1.1 billion rupees, up by 60% over the corresponding quarter last fiscal. For the full year, the revenues have gone up by 52% to 3.6 billion rupees. Zee News Limited completed the fourth quarter of FY

08 with extraordinary strong operating profit of Rs. 246 million as against loss of Rs. 16.2 million in the corresponding quarter last fiscal. This growth has been led by a significant increase in the advertising revenues which have grown 84%. I am glad to mention that the flagship Zee News channel is constantly gaining new grounds by acquiring competitor's shares of the market without losing focus from creating serious and responsible news. At the same time, increasing viewer's acceptance of our content has led the other existing as well as new businesses to redefine success.

Let me now summarize results of the second quarter of FY08. Advertising revenue was Rs. 860 million for the quarter, recorded a growth of 84% compared to corresponding quarter last fiscal. For the full year, advertisement revenue grew to Rs. 2.837 billion, up by 69%. Subscription revenue was Rs. 220 million, an increase of 50% as compared to the corresponding quarter last fiscal. For the full year FY08, subscription revenue went up to 18.2%, to Rs. 668 million. Operating profit was Rs. 246 million for the fourth quarter ended March 31, 2008. My apologies Ladies and Gentlemen, I earlier said by mistake second quarter, it is fourth quarter. Operating profit margin improved to 22.3%. For the full year FY08, operating profit went up to Rs. 634 million from Rs. 34 million in the previous year. In the fourth quarter, the existing businesses accounted for Rs. 366 million in EBITDA while new business losses were Rs. 100 million. For the full year, existing business accounted for Rs. 1.2 billion in EBITDA in comparison to Rs. 652 million in FY07. Full year, new business losses were Rs. 498 million as compared to the last fiscal losses of Rs. 519 million.

Coming to our business performance during the quarter, all channel share of Zee News Limited Channels in the total C&S universe grew to 4.9% in Q4 FY08 as compared to 3.9% in the corresponding period last fiscal. Each one of the channels under Zee News Limited either increased or held on their channel share compared to the previous quarter. Extraordinary growth was seen in the fourth quarter in Zee Bangla and Zee Marathi whose GRP's increased by 35.7% and 18.5% respectively over the corresponding period last fiscal. Zee Telugu and Zee Kannada increased their GRP by 74.3% and 123.4% respectively. Both Zee Bangla and Zee Marathi maintained their number one position in the genre. Our new regional channels Zee Telugu and Zee Kannada are steadily gaining ground against many established players. It won't be long before both these channels breakeven and we start monetizing the market share captured by them. We will be launching Zee Tamil by the end of July 08. There is no doubt that regional language markets are more cluttered than the Hindi market, but Zee Network cannot afford not to be in these languages. We have judiciously planned for the Zee Tamil channel to gain ground as you all know that Zee Tamil or rather Tamil

language channel is very, very competitive and there are many people sitting there with the number one channel being in a very strong position.

We have judiciously planned our expenses and adopted a robust business strategy which makes us one of the most profitable news businesses in India. Our focused business approach for each channel has started paying off with our all channel share rising, as I said, to 4.9% from 3.9% in the corresponding quarter last fiscal and this has been a very eventful quarter for us with each one of the channel under Zee News Limited either increasing or holding their position as I said before. Our vision, experience and expertise coupled with our superior network and drive to excel will help us deliver long-term growth, which will be way ahead the industry's growth rate. We are confident that we will continue to reinforce our competitive advantage and to give more value to the viewers as well as shareholders. We will look at investments that build on our competence and enable us to take advantage of these existing growth opportunities ahead. Thank you very much. With this, I would now like Hitesh to open the floor for questions.

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

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, kindly press *1 or 01 on your telephone keypad. On pressing *1 or 01, 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 or 01 now. First in line we have Mr. Ritesh from Dolat Capital. Over to you sir.

Ritesh: Good evening sir. My question pertains to the losses for the new channels. They have remained somewhere at 13 crores for the last three quarters and this quarter it was at about 10 crores. So, with the Tamil launch, again the losses would rise to say 13-14 crores for the next year?

Subhash: If we look at the existing new businesses, previous year the losses were Rs. 519 million, whereas for this year it was Rs. 498 million, so they came down. I think we should not be increasing the losses to that extent, with the Tamil launch.

Ritesh: So, can you see say in the next six to eight quarters, this loss would be very, very marginal?

Subhash: For the existing new businesses, yes.

Ritesh: And for new businesses also?

Subhash: Yeah, there would be only Tamil which is planned at the moment.

Ritesh: Okay, thank you very much sir.

Moderator: Thank you very much sir. Next in line we have Mr. Zubair from ESG. Over to you sir.

Zubair: Hi guys. Congratulations on an excellent quarter.

Subhash: Thank you.

Zubair: Just to quickly sort of talk about some guidance if you could provide on both the established businesses as well as the new businesses and what kind of sort of expenditure you are thinking about on the Tamil channel?

Subhash: Well, Tamil channel, the investment is a different number, of course the first year of launch loss is a different number, but the company will be able to fund its growth and the new channel launches within its revenue generation, PAT generation. It is not going other than the working capital facility.

Zubair: I see. And in terms of the established channels or the established business, if you sort of look at the overall revenues there where you have had very strong growth, what kind of growth do you see going forward?

Subhash: We will grow more than the market growth, that is for sure.

Zubair: Okay. And you mentioned there are two types of losses on the Tamil side where you said one would be investments and one would be sort of what income statement losses which show sort of from the first....

Subhash: No, we are going to buy, for example lot of movies and other things in the Tamil channel.

Zubair: Right.

Subhash: They may not be all exhausted in the first year. The rights are bought for many, many years and you slowly write them off and many films...the system in the

south market is that before you release the film on television, it is anywhere 12 months, so whatever I make investment today, I will not run that film this year.

Zubair: Okay, I see, okay, alright, thank you guys.

Subhash: Yeah.

Moderator: Thank you very much sir. Next in line we have Mr. Nitin from Capital. Over to you sir.

Nitin: Congratulations Sir!

Subhash: Thank you.

Nitin: My question was more in you know connection with the global trends in this industry. Our company has a revenue mix of advertising to subscription of you know 80% to 20%, but the global revenue mix is about the opposite. So, don't you think our business model is somewhat risky in terms of you know the focus on the advertisement revenue because there could be always pressure on the advertising rates going forward.

Subhash: So, you are saying that you are taking 80% advertising revenue and 20% subscription revenue.

Nitin: Yeah, I mean if you talk of the latest quarter, 860 million is the advertising revenue whereas subscription revenue is 220 million.

Subhash: Yes.

Nitin: So, what are the steps that we would be taking going forward to increase the share of subscription revenues?

Subhash: Yeah, if you look at the last quarter, fourth quarter of this year which we are discussing...

Nitin: Right.

Subhash: ...the growth in the subscription revenue was 50%...

Nitin: Right.

Subhash: ...in comparison to the quarter last fiscal. So, the subscription revenues have to grow and if you see Zee Entertainment Enterprises Limited where there is a 35:65 ratio at the moment and slowly, gradually it is going to be reverse as you said rightly that subscription revenue would be higher than the advertising revenue.

Nitin: So what impact would the CAS and DTH guidelines would have on our subscription rates going forward?

Barun: Can I take it?

Subhash: Yes.

Barun: Okay, first I would like to add to what Mr. Chandra has just said. I think that is one of the problems this country is facing where the consumer, there is a reluctance amongst consumers to pay for media consumption. If you see, it is not only for this industry, it is also the cover price of various things so that it is far lower than the cost of production. I think one of the ways we are addressing that is the very basic of this division, that we are looking at the regional way and if you look at the regional media consumption pattern, the propensity to pay for media consumption is far more in the regional level. eventually we should catch up with the world trend, but that is the function of the entire industry an answering to this question of yours with DTH and CAS, I think in between we had a bit of a problem, the industry had a bit of a problem while CAS was being implemented in certain areas.

Nitin: Right.

Barun: And there are some new openings, there are new operators coming in, but eventually this quarter the collections and billing have gone up, which in fact is settling down and the new structure and the new dynamic in the industry also is settling down. DTH will eventually come in rescue for the media owners where the revenue from distribution should grow substantially with the help of DTH. I think eventually that is what has happened in the world arena. I mean it is not too far long before we catch up with that.

Nitin: Okay. A couple of last questions. One is, what is the breakup of our subscription revenues from CAS and from DTH and secondly is there any limit of rupees 5 per subscriber per month which was specified by the government may be a year back?

Subhash: I wish CAS would have been implemented. It has not happened beyond what areas the CAS was notified last year. So, there isn't any impact of 5 rupees or anything.

Nitin: Okay, thanks Mr. Chandra.

Moderator: Thank you very much sir. Next in line we have Mr. Vikas Mantri from ICICI Securities. Over to you sir.

Vikas: Congratulations Sir!

Subhash: Thank you.

Vikas: Sir, just a question for Nitin. Somehow we are slipping on the TRPs in Bengali, any view on that?

Nitin: Yeah. In Bengali, basically it is a temporary scenario. It will revive in a few weeks as there was a problem with the cable operator in Calcutta area, which is getting resolved, so that TRP is slipping of Bangla channel, although we are maintaining number one position in Bengal. That was just a temporary phenomenon.

Vikas: Okay. And sir, any guidance for subscription revenues from Zee News next year?

Subhash: Zee News next year also should grow about 25% on the subscription side, may be more, 30%.

Vikas: Okay, thank you sir.

Subhash: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Ashish from Sharekhan. Over to you sir.

Ashish: Hello sir. I had a question on Telugu and Kannada channels. Where we are in terms of market share of these channels as of now and how does it compare with last quarter and Q4 FY07?

Subhash: Ramprasad...

Ramprasad: Yeah. In Telugu and Kannada, we are around 10.5% market share.

Ashish: Okay.

Ramprasad: Okay and especially in Kannada there has been a huge resurgence and that has been driven largely by the Zee formula of getting reality shows to drive in audience viewership and driving up the channel shares and Telugu has been stable at this level and both are now poised to move into the next level with lot more strong reality shows and also fiction now starting to stabilize.

Ashish: Okay. You said that 10.5% market share for Kannada as well as Telugu?

Ramprasad: Yes.

Ashish: Okay. So, in the last call, I remember that we had mentioned 12% kind of a target for breakeven of these channels. So, we do still maintain this?

Ramprasad: Yes. We are very well geared for....I mean we have moved up from last year when we started we were at around 4.5% in Kannada and around 6% in Telugu, which have both moved up to more than 10 now and recently there has been a better move.

Subhash: Ashish, you are right. Once the channel crosses about 12%, we will be breaking even.

Ashish: Okay. And sir can you just give me a sense of how these markets are growing, I mean in terms of market share we are capturing a better share of the market, but in terms of the entire market size, how are these regions growing, how do we see it going forward in this year at least?

Subhash: Ramprasad...

Ramprasad: Yeah. See, on the whole, markets have been growing at double digits and we are gaining much more than that. As you will see, we have more than doubled our GRP over the course of the year.

Ashish: Okay. On the Tamil channel sir, I had a question, what kind of CAPEX are we lining up for this and what kind of operating cost can we expect for FY09, that is basically the scale of operation that we intend to give at the Tamil channel.

Subhash: Well, it would be about 90 crores total investment including the operating cost.

- Ashish:** At operating level what kind of costs would we incur for the coming year?
- Subhash:** We are not giving that detail, but yes...I mean operating expenses in the sense, for full one year.
- Ashish:** Yes, one year from the launch, what kind of...I mean if you can give me a rough figure of what kind of operating....
- Hitesh:** Well, we don't share this product-wise detail, so I am afraid this is something very competitive in nature.
- Ashish:** Yes, yes, okay.
- Subhash:** Ashish, it is quiet competitive; otherwise I would have given...but let me tell you that we have worked out our strategy very well. I think we will pleasantly surprise our stakeholders.
- Ashish:** Okay. Sir, what has been the reason for I mean a stupendous growth in the subscription revenues for this quarter? I mean the last three quarters have been quite stagnant in terms of subscription growth, but this quarter we have seen 50% Y-o-Y growth in subscription. Anything special that has happened here?
- Subhash:** Hitesh...
- Hitesh:** Southern channel has contributed in a big way and that is a new stream of subscription revenue opened up...
- Ashish:** Okay.
- Hitesh:** ...and that is what is seen in the growth.
- Ashish:** Fine sir. Okay, thank you.
- Subhash:** Telugu and Kannada channels.
- Ashish:** Okay, yeah. Thank you.
- Moderator:** Thank you very much sir. Next in line we have Mr. Vinayak from Lotus India.

Vinayak: Sir, what would be sort of new business losses, are we guiding any new business losses for 09?

Subhash: We haven't worked out yet, but I think it will be despite the Tamil channel being there, I think we should not be more than about 600 million losses for next FY09.

Vinayak: Okay, so roughly 60 crores would be something...

Subhash: 60-70 crores maximum

Vinayak: Okay. And sir when are we expecting the digital sort of revenues to increase, that is the subscription from DTH segment?

Subhash: It is increasing. This year, you will see much more increase and that is why I have given you the guidance that we will...for Zee News Limited, the growth of subscription revenues in the coming year in comparison to this year would be 25% to 30%, 50% even.

Vinayak: Okay, and predominantly it would be coming from DTH?

Subhash: No, not necessarily, from all cable as well as DTH.

Vinayak: Okay. You mentioned that the increase in subscription income in this quarter was due to...

Subhash: Due to southern channels. Telugu and Kannada channels have started getting paid which were not being paid before.

Vinayak: Okay, so they have started getting paid.

Subhash: Yes.

Vinayak: What sort of cash and receivables is there on the balance sheet as on March 31, 2008?

R.K: The receivable was around Rs. 1400 million on March 31, 2008.

Subhash: What is the loan?

R.K: Loan is Rs. 116 million.

Vinayak: Okay.

Subhash: So it's only 12 crores.

Vinayak: Okay. And what about the total cash and marketable investments?

R.K: Rs. 26 millions.

Vinayak: Okay, 2.6 crores. And sir, one final question. We have seen an increase in the overall cost base in the existing business, which has gone up substantially from say 53 odd crores, I am talking about the operating expenses, from 53 crores to 62 crores, predominantly driven by programming costs.

Subhash: For new business it is programming cost.

Vinayak: Yeah, I am talking about the existing business, from the breakup which you have given.

Hitesh: Yeah, even for existing business it is programming cost.

Vinayak: So, any particular reason or any particular area we are investing in which can give us say results going forward in terms of...

Barun: Yeah. You know, as you rightly said that most of the growth is in the programming area. You know, what the strategy we are adopting is that for most of our channels unlike our competition, we are not trying to depend on a strategy where we spend heavily on placement money.

Vinayak: Right.

Barun: Rather we have been spending money which are investment in nature, so the brand and programming are the two focus areas and the growth of advertising which we have shown is actually the result of the kind of investments we made in programming, which has resulted in a tremendous increase in GRP for our Marathi, Bangla, and Hindi news channels. So, it is in the area of programming, the dividend which has also come in, in the current year, but the long-term dividend is yet to accrue because of the investments being made.

Vinayak: So, more monetization lies ahead even for the existing business.

- Barun:** Yes.
- Vinayak:** And one final question is excluding the Tamil channel, can we assume say 50 crores of annual revenue for the new business or the new channels?
- Subhash:** Yeah, of course.
- Vinayak:** Because I think last quarter you have 12 crores.
- Barun:** Right, 50 crores is a fair enough assumption.
- Vinayak:** Okay, thank you. I am through with my questions.
- Moderator:** Thank you very much sir. Next in line we have Mr. Miten from HDFC Mutual Fund. Over to you sir.
- Miten:** Good afternoon sir. Could you share some bit of information on DTH stream of revenues for Zee News, basically like we do for Zee Entertainment where it is about 18 crores a quarter, how much would that be for Zee News and will that number change substantially in the year going ahead?
- Subhash:** Hitesh....
- Hitesh:** Yeah, if we track the numbers, about 25% of the subscription revenue comes from the DTH stream.
- Miten:** Okay.
- Subhash:** And that will change. DTH revenue will grow faster.
- Hitesh:** That composition will continue to grow in favor of DTH.
- Miten:** Sure. You also mentioned earlier that quarter four Telugu and Kannada have contributed in terms of subscription growth.
- Hitesh:** Right.
- Miten:** That is what has primarily driven it.
- Hitesh:** Right.

Miten: So, is one saying that will be a very big driver in the year forward or is it just sheer number of overall detail subscriptions that Tata Sky and Dish and some others will add?

Subhash: Well, Telugu and Kannada are still not on Tata Sky. So, this is cable revenue which they have started getting. That will be a driver, if not a big driver.

Miten: Okay sir. And if I get you correctly, you mentioned that 90 crores is the investment in the Tamil channel which means basically the OPEX plus the investment in movies is 90 crores?

Subhash: Yeah, the capital expenditure.

Moderator: Thank you very much sir. Next in line we have Mr. Singhania from Sunidhi Securities and Finance. Over to you sir.

Singhania: I have a couple of questions. One is towards our new business, basically Telugu, Kannada, and 24 Taas. We have done around 50 crore losses this full year and next year we are expecting around 60 crore losses. I just did not get this....revenue of 50 crore and a loss of 60 crore, so could you just clarify on the same?

Subhash: See, this 50 crore of existing business losses will come down to not more than 15 crores.

Singhania: One five?

Subhash: Yes, but then you are adding a Tamil channel, so there would be losses of that.

Singhania: Okay. Sir, from Tamil channel, how much time you are expecting to breakeven?

Subhash: Three years.

Singhania: Three years for that?

Subhash: Yeah.

Singhania: Okay. And sir can you also give some guidance towards the advertising revenue growth?

Subhash: Advertising growth, revenue growth of Zee News Limited as a whole as a company will also grow 30%.

Singhania: In terms of existing business, where do you see the EBITDA level stabilizing going forward?

Subhash: Yeah, EBITDA level, it is stable. It should grow from this current level.

Singhania: Okay, thank you sir, thank you very much.

Moderator: Thank you very much sir.

Hitesh: Shall we take the last question Rita.

Moderator: Sure sir. That is Mr. Ruchit Mehta from HSBC. Over to you sir.

Ruchit: Yeah hi, thanks, and good evening and congratulations on the numbers. Just a query on the subscription side of the revenue. You mentioned you are looking at about 25% to 30% growth. Can we just get a sense is it because that the southern language channels have just started contributing into the subscription revenues and therefore the momentum is coming purely from that?

Subhash: No, the subscription revenue growth will be from all around, but the southern language channels have started contributing which they were not.

Ruchit: Okay. And sir just to get a sense that if one were to strip away the subscription revenues coming in from the southern language, what would be the growth that you would see in the other channels?

Subhash: Now you please don't ask us this comparative information.

Ruchit: Sir, just a query on your Tamil language entry. If you could just comment as to what is probably the outlook on that because that itself is probably much more competitive than what Kannada or the Telugu is, probably considering that the market leader that is wherein there are many players already over there.

Subhash: So, what is your question?

Ruchit: Just wanted to get a sense as to what strategy over there and do you think that...



Subhash: Well, we are conscious of that fact and I have said in my speech before that we are very much aware of this fact that it is a very competitive market. The number one channel company is sitting there with very strong numbers, but we have planned our things very well and beyond that what can I say?

Ruchit: Okay.

Ruchit: And finally what is your total CAPEX including that for the Tamil because you said Tamil we are spending 90 crores, but additionally for the existing channels are we spending anything else?

Subhash: No, that all expenditure has already gone.

Ruchit: Okay, thanks.

Subhash: Thank you.

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

Hitesh: Thank you all of you for joining us. We hope to have a transcript of the call very soon on our website www.zeenews.com. We will look forward to speaking to you again at the end of first quarter of FY 2009 or even earlier on a one-on-one basis. Thank you and have a great day.
