



ZEE NEWS LIMITED

1Q FY2008 TELECONFERENCE
JULY 17 2007, 5.00 P.M. INDIA TIME

Moderator: Good evening Ladies and Gentlemen. I am Rita, the moderator, for this conference. Welcome to the Zee News Ltd. conference call. For the duration of the presentation, all participant lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to handover the floor to Mr. Subhash Chandra. Thank you and over to you sir.

Subhash: Thank you and I would like to welcome everyone to this call, ladies and gentlemen. We appreciate you joining us for the first quarter report for fiscal year 2008. To discuss the result and performance, I have with me members of senior management team of Zee News including Mr. Harish Doraiswami who is the CEO of the company and Mr. Boman Moradian – Head of the South Indian Language initiatives, and Mr. Aditya Saxena from the investor relations cell.

I would like to remind everybody that anything we say during this course that refers to our outlook for the future, is a forward looking statement that must be taken in context of the risks that we face.

Zee News Ltd. ended the quarter one FY2008 with the exceptional performance highlighted by robust advertisement revenue growth of 95% and overall revenue growth of 70% and significant improvement in the operating margins. More than ever before, I am convinced that the news and regional focus of Zee News Ltd. is a total business model that is designed to go places. I firmly believe that Zee News Ltd. is poised to take advantage of the vast emerging opportunities and will deliver long-term share holding values.

Let me first summarize the results of the first quarter. Advertising revenue was Rs 592.4 million for the quarter ended June 30, 2007 and increase of 95% as compared on a like-to-like basis to 1Q FY2007. Subscription revenue was Rs 136.48 million for the quarter ended June 30, 2007 an increase of 11% as compared on a like-to-like basis to 1Q FY2007. Operating profit was Rs 119 million for the quarter ended June 30, 2007, a major improvement since the corresponding quarter of previous fiscal when it was loss of Rs 75.3 million on a

like-to-like basis. This was after expensing of initial investments in new businesses amounting to Rs. 129 million.

Operating profit margins on existing business has improved to 35.4% from 17.12% for the corresponding quarter last fiscal. Consolidated operating revenues for the first quarter of 2008 was Rs 758.7 million and consolidated operating profit was 109.9 or say about 110 million.

Coming to our business performance during the quarter, we are pleased with our steady improvements in the channel performance. Each one of the channels under Zee News either increased or held on to their channel shares, despite new competition, compared to the corresponding quarter last year. All channels shares of Zee News Ltd. grew from 2.8% in 1Q FY2007 to 3.8% in 1Q FY2008.

During 1Q FY2008, Zee Bangla and Zee Marathi increased their gross rating points (GRPs) by 156% and 41% respectively over the corresponding quarter last year, while Zee Telugu and Zee Kannada increased their GRP by 29% and 89% respectively.

Zee Marathi is now firmly established as Number 1 Marathi channel while Zee Bangla attained number one slot several times during last quarter. The relatively new Zee Telugu, Zee Kannada, and 24 Ghanta all have expanded their position in the market both in terms of viewerships and revenues. Zee News continues to deliver a stable rating and as the only pay channel in Hindi News genre market have been successfully generating strong revenue in both advertising and subscription.

Here I would like to mention that in what is considered to be a relatively dull quarter, all our main channels registered record advertising revenues, growing at significantly higher rates relative to the market.

Now that we have got us to a great start from the current fiscal we feel confident that we will be able to deliver significant shareholding value during FY2008-2009 and beyond, thank you and Rita now we can open the floor for question and answer.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants connected to the India bridge who wish to ask question, kindly press *1 on your telephone keypad. Participants connected to the international bridge, kindly press 01 to ask a question. Participants are requested to use only

handsets while asking a question. To ask a question, kindly press *1 or 01 now. The first in line we have Mr. H. R. Gala from Quest. Over to you Sir.

H. R. Gala: Hello Mr. Chandra.

Subhash: Yes Mr. Gala.

H. R. Gala: Yeah sir congratulations again for good results in Zee News.

Subhash: Thank you.

H. R. Gala: Yeah, sir the reason for Q-O-Q decline in the subscription revenue would be same as you described in the Zee Entertainment conference call partly?

Subhash: No, in this case it is a little different because all the channels Zee News being the only pay channel there is always a pressure on cable operator who are not wanting to pay for Zee News and as a distribution also we have to remain a little bit lenient because we want to maintain rating because we do not want to lose the advertising revenue, which is substantial in this case whereas in Zee entertainment subscription revenues are close to 38% of the total revenue. So, here we are a bit lenient. We have to put our house in order to improve the subscription revenue in news side as well as the regional languages side.

H. R. Gala: Okay. So, sir going ahead like current year we had 95% increasing advertisement in current quarter, now going ahead for full year what kind of growth, can you give some broad outlook?

Subhash: I think you see these because of new business, which are getting added this is looking at very high growth for 95%, but existing business is as I said in both the cases 30%-35% increase we will be able to get on year-to-year basis and the by year-end the losses of the new channels like Telugu and Kannada will stop. That will improve in overall percentage of operating profit for Zee news Ltd. as a whole.

Gala: Okay sir in Q4 you had indicated that combined losses of the new channels will be around 25 Crore in FY2008, if I remember correctly.

Subhash: Yeah, I think that what it is, there is no change.

H. R. Gala: But sir if you see in the first quarter, we already have recorded the loss of 12.9 and plus Zee Bangla say 0.9 Crores so about 13.8 Crore, so going ahead do you see that we will still be able to contain the losses of the new businesses at 25 Crores?

Subhash: Yeah.

H. R. Gala: Okay, that is great and sir, can you throw some light on what kind of capital expenditure or investment plans we will have in Zee News?

Subhash: Right now there has nothing been done in the Zee News Ltd., as soon as there is anything though the Board has given the management some guidelines yesterday, but the management has to work on it and come back, so nothing I can say at the movement.

H. R. Gala: So Sir, from operation profit margin point of view can we presume around the 16% type can sustain for the full year?

Subhash: Of course.

H. R. Gala: Okay.

Subhash: May be improved better than that.

H. R. Gala: It may be better than that, okay. Thank you, thank you very much sir.

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

Zubair: Hi guys congratulations on the quarter. One quick question on the margin for the establish businesses. You guys achieved 35% margins there. Why do you think you can get this to given the fact that the GRPs have been improving in your established market and obviously the incremental margin should be higher.

Subhash: Our guidance Zubeair that we should maintain that 35% and try and improve it as far as possible, but the overall company's operating margins will improve because the new business is stop bleeding, so that will improve their profitability.

Zubair: Okay and anything you guys are saying in the competitive front especially on with all the new launches that are coming across?

Subhash: Yeah, as far as the number of news channel in India is concerned, I do not think any other country will have so many. We will go into the Guinness Book of Record as a country, I think with so many news channels. But the actual position on the ground is that not everyone is able to monetize from the news business. There are people in the News business who are running the channels for reasons other than commercial. We do not see any threat for our growth or profit margins for Zee News Ltd. In the regional channels, we are progressing steadily as I said earlier in my comments.

Zubair: Okay and one last question on the new businesses sequentially the revenue was 47 million and you know it is pretty similar this quarter at 46 million. Is there a sort of something going on here or is this just seasonality in terms of advertising revenues?

Subhash: The last two quarters are always very high, so I think you will see that there were some events in the last quarter as Mr. Doraiswamy is saying.

Zubair: Okay, congrats on the quarter results.

Subhash: Thank you Zubair.

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

Vikas: Good afternoon sir.

Subhash: Good afternoon.

Vikas: Sir, on the new businesses you have shown an expense of around 17 Crores in this quarter, now is this going to continue for the next four quarters?

Subhash: Yes, expense will be broadly the same.

Vikas: Broadly, so this means to show 25 Crores with that loss you will have to do 45 Crores of revenues. Will we be able to do that sir?

Subhash: We are hopefully of doing that. Vikas suppose 13 Crores loss is their in this quarter on the new businesses, it will substantially drop in Q2 and then Q3,

actually Q3 especially and we do not see any losses in Q4 from the new businesses.

Vikas: Next year will be completely profits.

Subhash: Yes.

Vikas: Okay sir. Thanks a lot sir.

Moderator: Thank you very much sir. Participants who wish to ask a question, kindly press *1 on your telephone keypad. Next in line, we have Mr. Vinayak from Lotus Mutual Fund. Over to you sir,

Vinayak: Hello, good evening sir.

Subhash: Good evening.

Vinayak: Sir, your total pay revenues were about 13.5 Crores in this quarter what was the revenues from domestic digital subscriptions?

Subhash: Total digital or cable?

Vinayak: I want DTH.

Harish: We will not be able to give you mode wise splits right now, summarize to say that in the case of specific case of digital cable, revenues as we were mentioned in the earlier call also that they have not started coming in, so once they starts rolling in hopefully next quarter, this could see an uptake.

Vinayak: But digital I mean the DTH revenues would already have started?

Subhash: Yes, the DTH revenues started.

Vinayak: Can you just provide what they are?

Subhash: I will not be able to give the DTH and cable.

Vinayak: Okay, fine. I will come back later. Thanks.

Subhash: Thank you.

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

Ritesh: Good afternoon sir and sir I have two basic questions, so one what factors would you contribute for the 95% advertisement growth?

Harish: I think you know the market growth you known one can estimate it at around 20%.

Subhash: But Zee News team has been innovated in creating new advertising revenue streams on its channel.

Harish: The other reason is you know our ratings have improvement and that helps monetization and also I think our sales team has been charged up and been pretty creative in the way it has been sold in this quarter.

Ritesh: Okay fine. The second question pertains to the subscription revenue in the annual report of Zee News, there is some revenue from dish TV have not we booked anything from WWIL?

Subhash: WWIL revenues are booked by Zee turner and they show in the overall subscription revenue.

Ritesh: Okay. Because in the related party transactions we could see revenue from dish TV but could not see anything from WWIL.

Subhash: Because we do not deal directly with WWIL. Zee News do not being with directly WWIL. It deals with Zee turner.

Ritesh: Okay, so can you get to know how much from Zee turner, Zee News got for the FY07?

Subhash: I do not think we give any breakups.

Ritesh: In the related party transaction in the annual report.

Subhash: That must be there Ritesh you should see that.

Ritesh: Okay, okay. Thank you very much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Amit Mehta from ICICI Prudential. Over to you sir,

Amit Mehta: Congratulations Harish on excellent set of numbers.

Harish: Thank you.

Amit Mehta: Just wanted to understand what would be split of revenue between news and non-news segment?

Harish: As I indicated I mean that before itself this would be tantamount to giving away competitive information, so we will not to do that.

Subhash: Amit, allows us to establish the Southern language channels properly then we will start giving you that information.

Amit Mehta: Sure sir.

Boman: Regional channels also carrying news so it will be difficult to even to look at that.

Amit Mehta: Sure. Sir there has been some reduction in the expenses should we expect this trend to continue?

Harish: We also had events last quarter, which you know the event cost what built into that last quarter and they want repeated this quarter. So, that is one of the reasons why you see that. Having said that you know in all the channels there is an effort to try and rationalize cost so some of those results would probably start kicking into.

Amit Mehta: Sir, finally on the revenue for new businesses the ratings have more or less being in the same range for Q4 and Q1 also. How much time one what is the target rating by when you know we should see more revenue coming in and two after those ratings to come how much lag will be there for the revenue to come?

Subhash: See these new businesses ratings in some channels have gone up from the earlier quarter and some channels it is gone down because in the earlier quarter they were massive events, which were programmed and they get the rating. So, overall if you see the ratings have gone up. It is not that it is gone down if you

look at the new businesses that are number one. What was your second question?

Amit Mehta: Second question sir, how much lag should when expect for the revenue flowing after the ratings come and see what is the target rating by when which should see revenue to come?

Subhash: Amit we have booked 13 Crore losses from the new businesses in this quarter. For the whole year our guidance still remains at 20-25 Crore losses. So you can workout your back of the envelope calculations yourself.

Amit Mehta: Sure sir. Thank you sir.

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

Ashish: Yes sir, just wanted to ask whether this cost structures around 65-70 Crores apart from the seasonal aberrations and events that you pointed out, can we consider this to continue for the next two quarters?

Subhash: Yeah you should.

Ashish: In terms of growth in the ad revenues can may get a sense of how have I mean is there it is due to better inventory utilization and can we segregate between how much is it due to better inventory utilization and how much due to better ad rates?

Subhash: No we cannot give those details.

Ashish: Okay. You are not giving it. Sir, where are we headed in terms of growth in subscription revenues, can I get a sense of that?

Subhash: Well, we have given guidance earlier before the year started the existing business could get 30% off in bottom line growth and new businesses are improving, dropping losses and then they will start contributing.

Ashish: Okay yeah. That is all. Thanks.

Moderator: Thank you very much sir. Next in line we have Mr. Pankaj from Iden Investment. Over to you sir.

- Pankaj:** Hi, this is Pankaj. I think you guys are doing a good job in turning around.
- Subhash:** Thank you Pankaj.
- Pankaj:** The question is related to getting advertisement business. How much of this advertisement sales is coming in terms of bouquet selling and how much is it coming as independent sales for Zee News, that is the first question and the second is more related to what percentage of the revenue actually comes from the main line advertisers like HLL and the other guys and what percentage comes from local advertising?
- Harish:** Pankaj, a couple of things, one is that each of our channels at the bottom ground level is sold independently. So we try not to mix this up with bonus sales or bouquet sales on the advertising front, one. Two is, please repeat your second question?
- Pankaj:** What percentage of the revenue comes from mainline and titles like Unilever and ITC?
- Harish:** Obviously, in the case of national channels like the Zee News, a whole lot more of national advertisers come in but on the regional channels, a little more in the regional channels, regional players coming compared to national channel. So giving you an average could not help.
- Subhash:** Pankaj, you can take that, our 80% revenue on Zee News limited is national advertisers and 20% retail advertisers.
- Pankaj:** Hello.
- Subhash:** Can you hear us?
- Pankaj:** Yes I can hear you.
- Subhash:** About 80% revenue on Zee News Limited is national advertisers and 20% retail advertisers. We have to grow the retail segment and we are working on it.
- Pankaj:** Okay excellent. On the first part of the question which I mentioned was what I am seeing is that you are not utilizing the benefit of scale, I mean if you have

one marketing team doing offering bouquets it probably helps. Can I have your views on that and you are not utilizing that?

Subhash: No Pankaj that is not our view. We have seen that in the past we have done work on this and in fact that cannibalizes the revenues rather than helping.

Pankaj: Okay. Thanks again. Good job done. All the best.

Subhash: Thank You.

Moderator: Thank you very much sir. Next in line we have Mr. Miten Lathia from HDFC Mutual Fund. Over to you sir.

Miten: Thank you. Two questions sir. One is do we intend or is there any specific effort that we are trying to make in terms of channel Zee Business and second one is, given that now there is an opportunity that has emerged specifically in Tamil Nadu, do we intend to launch a Tamil channel let us say if not Tamil and Malayalam both, because of that they are two specific channels missing from our southern bouquet, any take on this sir?

Subhash: Are you not watching Zee Business?

Miten: It is just started coming into the prime band in Bombay, that is why specifically the questions sir?

Subhash: Yes, Zee business had improved its contents and presentation etc and we just continue to do so, but it is number one in the Hindi heartland so, I think it is continuous process to improve and wherever we are number one to remain there. Coming on to the southern languages which are newly seen, we are working on it, but our objective, theory, and philosophy have been to kind of launch a couple of products, stabilize them, make them profitable, then move on.

Mithen: Which means we should not probably expect the launch in fiscal 2008, I mean in this current fiscal, no new channel launches on the annual sir?

Subhash: Nothing has been approved yet by the Board on this.

Mithen: For Zee business, if I read what you said correctly you basically saying the positioning is not metro-centric business news, but more of non-metro

businesses audience target, is that how we are looking at positioning the channel sir?

Harish: What we want is to make it a business channel of the mark.

Mithen: Sure sir.

Subhash: In fact in metro, we have not looking at English speaking people.

Mithen: Okay so it is more of a Hindi business news channel that is how we want to position that?

Subhash: Yes.

Mithen: Okay, thank you very much sir.

Moderator: Thank you very much sir. Next in line is Mr. Vinayak from Lotus India Mutual Fund. Over to you sir.

Vinayak: This is once again with reference to your annual report of Zee News. Once again in the related party transaction, there is an entry of purchase of programs and goods from Zee Entertainment worth 20 Crores and wire and wireless of worth 14 Crores. Sir, can you explain what is this related to?

Harish: Can you repeat that please?

Vinayak: There is an entry related to programs, goods and services from related parties?

Subhash: Well Vinayak, we do not have our annual report in front of us, can we offline give you the answer?

Vinayak: Okay sir fine. That should be fine with me.

Moderator: Next in line we have Mr. H. R. Gala from Quest. Over to you sir.

H. R. Gala: Just a clarification, in the last year of Q4 conference call you had said that this year we will not have any interest income and interest expenditure, which more or less seems to suggest, so what is the fund position as of now sir?

Harish: Right now we are self-sufficient in the sense that we are not carrying any debt on our books right now.

H. R. Gala: Okay. Any surplus cash?

Subhash: It just goes on. We have working capital on rotation, but if we have cash of 20-30 Crores it is not worth mentioning.

H. R. Gala: Yes that is true. Okay thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions kindly, press *1 on your telephone key pad. I repeat Participants who wish to ask questions kindly press star 1 on your telephone key pad. Next in line we have Mr. Priyank from Edelweiss Securities.

Priyank: Hello, I just wanted to understand that you know so many new channels being launched and so many new companies ever been formed since NDTV and INX media planned to launch whole sort of channels in the general entertainment and news space, so this more on the general strategic direction, does the management feel that this would lead to fragmentation of media viewership and you know will it put some pressures on the advertising rates that we might be able to command the advertisers or could it have any other strategic implications on our businesses?

Subhash: Well, already the advertising rates in India on television are lowest possible rate. At the same time, as I said earlier in the call that there are channels those who are delivering ratings but yet they do not get advertisers. It is matter of positioning and conducting yourselves and your content and everything. So that is what basically, your question what your are asking is more related to Zee Entertainment rather than Zee News.

Priyank: Yes, I understand Mr. Chandra actually you know because we ran out of time over there so could not really ask it?

Subhash: The success rate to my mind of new launches would be not more than 15%, so that should answer your question. I think at the same time Zee Board has approved four strategic decisions, we would stay in the game. That is our effort.

Priyank: But in the interim, over the next 12 to 18 months, when a lot of these channels look at to be launched, do you anticipate some sort of cost pressure coming in

either on people expenses or field and marketing expenses and also for the interim again. From the long-term perspective, obviously quality players would survive, but in the interim do you see any pressure on the revenue side as well.

Subhash: In the interim, we have budgeted for all those things in our budgets.

Priyank: Okay, thank you.

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

Girish: Hello, just one question on other income, it is 37.5 million in 4Q FY2007, it came down to one million in 1Q FY2008. Could you just explain this a little bit in detail?

Harish: The other income, largely the other income is sale of certain content during the 4Q.

Subhash: See Girish, there is syndication that the revenue, which are not consistent quarter-on-quarter, in some quarter we may get more revenues of syndications and some quarters we may not get. So it is one of those.

Harish: So, it depends on when you syndicate it?

Girish: Perfect. So basically syndication revenue has come into other income rather than going into the top line?

Subhash: Yes.

Girish: Yeah, alright. Thank you.

Moderator: Participants who wish to ask questions kindly press *1 on your telephone key pad. I repeat participants who wish to ask questions kindly press *1 on your telephone key pad. At this moment there are no further questions from participants. I would like to handover the floor back to Mr. Subhash Chandra for the final remarks. Over to you sir.

Subhash: Thank you all for joining us. We hope to have our transcripts of the call very soon on our website, www.zeenews.com. We look forward to speaking to you again at then end of the second quarter of fiscal year 2008 or even earlier even



on a one-to-one basis and thank you and have a nice evening and a nice day.
Thank you.

Moderator: Ladies and gentleman, thank you for choosing WebEx Conferencing Service and that concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.
