



ZEE NEWS LIMITED

2Q FY2008 TELECONFERENCE
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Moderator: Good afternoon ladies and gentlemen. I am Rita, the moderator, for this conference. Welcome to the Zee News conference call. Further 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 flow to Mr. Atul Das, thank you and over to you sir.

Atul: Thank you Rita, good afternoon ladies and gentlemen. Well, thank you for joining us today to discuss the results for the second quarter ended September 2007 for Zee News Limited. We do hope that you had the chance to go through the earnings release and the copy of results, which is uploaded on our website www.zeenews.com. To discuss the result and performance, joining me today from a conference room in Mumbai is Mr. Subhash Chandra, Chairman of Zee News Limited and members of the senior management team of Zee News including Mr. Hitesh Vakil, Director – Finance of Zee Entertainment, Mr. Nitin Vaidya, Head of our regional channels, Mr. Boman Moradian, who is looking after south regional language channels, and Mr. R. K. Agrawal CFO of Zee News.

We will start with a brief statement from Mr. Chandra on the second 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 the context of risk that we face. With this, I now hand over to Mr. Chandra.

Subhash: Thank you Atul. I would like to welcome everybody to this call ladies and gentlemen. We appreciate your joining us for second quarter report of Zee News Limited. Just for the reminder, I would say that though the name of the company is Zee News Limited but it also houses six regional language entertainment channels apart from the news and business channels within this company. Zee News Limited is poised to become a media giant with the strong regional centric focus.

The company has shown good performance during the quarter and recorded a steady growth in operating revenues of 44% over the corresponding quarter last fiscal, on a like-to-like basis. The operating margins of existing businesses have



improved to 33% from 31% in the corresponding quarter last fiscal. I am confident that Zee News Limited is ready to exploit the vast emerging opportunities in news and regional entertainment space and there by delivering the long-term stakeholder value.

Let me now summarize the results of second quarter of FY08. Advertising revenue was Rs 608 millions for the quarter, recording a growth of 57% compared to the corresponding quarter last fiscal, on a like-to-like basis. Subscription revenues was Rs 150 million an increase of 9% as compared to corresponding quarter last fiscal, on a like-to-like basis. During the second quarter of FY2008, operating profit has increased to Rs. 105 million as against Rs 18 million during the corresponding quarter of last fiscal, which is after expensing of initial operating loss in new businesses amounting to Rs. 130 million during this quarter.

Now I will take you through the six months' period financial FY2008 versus the corresponding six-month period of FY2007, so that you get a clear picture of this year's performance so far on a like-to-like basis. Advertising revenues during the previous year ending September 30, 2006, was Rs 691 million as against this second half was Rs 1,201 million which is an increase of close to 74% compared to the proforma numbers of corresponding period last fiscal. Subscription revenue was Rs 286 million for current six months' period which is a marginal increase of 10% compared to the proforma numbers of the corresponding period last fiscal. Operating profit stood at Rs 224 million for six months' period ended September 30, 2007, as against loss of Rs 57 million during the corresponding period last fiscal on a like-to-like basis.

So these are the numbers coming to our business performance during the quarter. We are pleased with our steady improvement in our channel performances. Every channel under Zee News Limited either has increased or held on to their channel share, compared to the that of previous fiscal. All channels' share of Zee News Limited grew by 2.4% in second quarter of this current fiscal as compared to the corresponding quarter of the last fiscal. Zee Marathi and Zee Bangla have improved their GRPs by 25% and 45% respectively over the corresponding quarter of the previous fiscal. Zee Telugu, Zee Kannada, and 24-Ghanta increased GRP by 71%, 18%, and 57% respectively. The relatively new Zee Telugu, Zee Kannada, and 24-Ghanta have all strengthened their positions in their market. India's first 24-hour Marathi news channel 24-Taas launched during end of last fiscal is fairing well with the viewers. Zee News continued to deliver a stable rating as it is the only pay channel in the Hindi news genre and have been successful in gaining strong revenues from both advertising and subscription.



We are confident that we will continue to reinforce our comparative advantage and deliver more value to viewer as well as stakeholders. We will look at investment that build on our competence and enable to us take advantage of these existing growth opportunities ahead. Thank you very much, with this I would like to hand over to Atul for opening the floor for questions and answers.

Atul: Thank you sir. Ladies and gentlemen we are ready for questions now but before that, I would like all the participants to please limit themselves to two questions each, 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 the questions kindly press * and 1 on your telephone keypad. On pressing * and 1, participants will get a chance to present their question on first-in line basis. Participants are requested to use only handset while asking the questions. You ask a question, kindly press * and 1 now. First in line we have Ms. Srivastava from Sahara Mutual Fund, over to you sir.

Srivastava: Hello sir. My question is what percentage of growth you are expecting for the next two years for net sales and what will be the EBITDA in the PAT for the next two years and any other CAPEX plan for your company.

Atul: Madam I did not get your name right, but we do not give out specific guidance of EBITDA and profit after tax like this. Once you participate in this conference you will get a sense of our revenue projections and as far as CAPEX is concerned this company is more of a content company we do not have much of capital expenditure.

Srivastava: So you do not have any CAPEX plan for this company?

Atul: There is, but it is a very marginal capital expenditure in the range of Rs 400 million or so.

Moderator: Thank you very much madam. Participants who wish to ask questions kindly press * 1 on your telephone keypad. Next in line we have Mr. Balaji from Sundaram BNP, over to you sir.

Balaji: Sir are we launching any new regional channel for this fiscal year like Tamil or Malayalam?



Subhash: We have to complete those but they may not be launched during this fiscal. May be they are likely to be launched in the next year.

Balaji: Okay, thanks.

Moderator: Thank you very much sir. Next in line we have Mr. Zaveri from Deutsch Bank, over to you sir.

Zaveri: Sir in the end of the last quarter you had mentioned that losses for the new properties will be around Rs 25 crores or so and we have hit that mark? Are you looking at break-even happening in the two properties in Zee Kannada and Zee Telugu?

Subhash: Yeah, we are looking at the Zee Telugu as I have said have increased its rating by 70% and that is why in this quarter we made some more budget for increasing the programming expenses but we will see the results for those coming in third and fourth quarter. So we are quite hopeful that we will soon break even on these products as well.

Zaveri: Okay thank you sir.

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

Atul: Go ahead Mr. Aditya.

Moderator: Mr. Aditya you can go ahead, sir. Sir we will take up the next question. The next question comes from Mr Ruchit Mehta from HSBC, over to you sir.

Ruchit: Yeah hi. In terms of the advertisement revenues growth, you are the only channel who is seeing a very strong revenue growth. How do you see ad revenue growth over the say of two years' timeframe for Zee News per se?

Subhash: Well, the existing channels like Zee News and those things will grow with the industry norms 15%-17% but some of the regional channels, which are having growth in terms of their GRP, there we expect about 30% to 35% basis growth.

Ruchit: You would include the Punjabi and Bengali channels also like Marathi and Punjabi, and Bengali.



- Ruchit :** Put together would go about 30%.
- Subhash:** Punjabi and Gujarati are some exceptions, because these are very small markets. If you look at Gujarat, the overall viewership of Gujarati language TV channels is only 5% and similarly in Punjabi the category market is only 7.2% of the Punjabi viewership in Punjab. So these are two small channels, where we would still grow than with a small base of 10% or 15% or 20% but with larger channels were Telugu for example the viewership is 65% to 66% of Telugu programming. Kannada is 48%, Bangala is 33%, and Marathi is too low at 17%.
- Ruchit:** Sir just get a sense of the size of the market these channels are offering. Can you give the sense of how big is the Marathi advertising market or the Kannada, Telugu advertising markets?
- Subhash:** We are growing there. Yes we can share with you.
- Nitin:** This year Marathi will cross overall, advertisement markets Rs 200 Crores for television. Bangla will cross Rs 200 Crores. Kannada last year was Rs 250 crores.
- Moradian:** And Telugu would be Rs 500 crores and Kannada would be about Rs 180 Crores.
- Ruchit:** Rs 180 crores on Telugu.
- Moradian:** Telugu is about Rs 500 crores.
- Ruchit:** 500 crores. Do you see rising competition with other players like Star sort of signed up with Balaji to launch newer channels in the southern markets and eastern markets?
- Subhash:** In southern markets there is no market where there are less than six channels. In fact, from Telugu there are 13 channels. So if one more competitor will come it is not going to make a major difference.
- Ruchit:** Okay. Sir just from News genre, because the Zee News is the only pay channel in the Hindi news space but given what are the developments that are happening in the news space with increasing number of players and fragmentation of viewers completely. Do you think that the channel will continue to survive with kind of TRPs being remaining plain throughout?



- Subhash:** No I think the serious players in the news they will turn in to pay channels. The news channels which are coming with some other objective they have no business case they are there because they probably want to have some other agenda.
- Ruchit:** Okay. Sir in an environment in potential, where the CAS that has implemented and the customer has to chose as they are very little distinguishing factor different news channels and it gets blurred and it is also even lately who has shown the particular scene or news items, so do you think that in that environment you may have to choose to be free-to-air in the CAS environment just your viewership gets maintained?
- Subhash:** No, not necessarily. As more digitization would happen and as I said to you more and more news channels are converting themselves in to pay channel. Recently Zee Tuner has taken a news channel, who will join from January will be encrypted and will go pay.
- Ruchit:** Would that be Aaj Tak?
- Subhash:** I do not want to say which one.
- Ruchit:** Just finally sir on the new businesses, obviously they are loss making right now but over the two or three years' time frame can you achieve the same level of EBDITA margin that your current businesses are making?
- Subhash:** I think currently Zee News Limited has a consolidated basis about 16% we should go to 30% in two years.
- Ruchit:** 30% in two years, thank you very much sir.
- Moderator:** Thank you very much sir. Next in line we have Mr. Rajesh Parikh from IL&FS Investmart, over to you sir.
- Rajesh:** Hello sir. Congratulations on good numbers. I had a lot of questions but those have been answered, just one minor question that I have. What are the kind of debt and cash that you are carrying on your books right now?
- Atul:** We have a very minor debt for about 14 crores.
- Rajesh:** 14 crores right. And cash or investments.



Subhash: Hitesh you have the numbers?

Atul: We have investment in one of the subsidiary called Zee Akash News Private Limited.

Rajesh: Okay. No what I meant was cash or liquid investments and these like that. Also, one thing I wanted to know is you said you will possibly look at Tamil and Malayalam in terms of launching those channels and things like that. What are the kind of market sizes that you are looking at advertisement market in these two markets?

Vaidya: Tamil Nadu is about 600 crores and Malayalam is about 150 crores.

Rajesh: The numbers you are talking about as far as Marathi and Bangla being about 200 crores approximately each does it include the news genre also or is it the general entertainment?

Subhash: It is all genres. All regions.

Rajesh: Okay, great. As regards the new businesses and you had operating loss of about 26 crores approximately for the six months. Are you looking at wiping at all of those numbers those losses by year end or something? What are the management towards, I mean, is it like are you budgeting more to reduce the losses to zero or is it like you will make profits by the year end?

Subhash: Well by year end we should break even on the new trend. There might be marginal loss in one of these products.

Rajesh: Okay great. Thanks a lot sir.

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

Aditya: Hi, can you hear me?

Subhash: Yes we can hear you Aditya.

Aditya: Okay. Thank you for this call. Just to reiterate my earlier question, are you saying that the new business losses which were at about 25 to 26 crores for six months with which was your earlier guidance in the previous quarter's call would remain?



Atul: Mr. Aditya as you have seen the new business losses are in the region of the similar amount in the first half, while we do see an improvement going forward but as Mr. Chandra mentioned we have taken a decision to spend more on investments on these businesses because they were really showing fairly strong trend and in the festive season there is likelihood of some investments so we might fall short of that number but progression is very good.

Subhash: Yeah, you can take second half six months we should not have more than that, second half six months we should not make more than 10 crores losses as against 26 crores for first six months.

Aditya: Okay that is useful. The second question I had was related to advertisement revenues. While it has grown pretty handsomely on a year-on-year basis, if you look on a quarter-on-quarter basis the growth is just 2.7% so I just wanted to understand that whether there is any seasonality within the regional advertising or news advertising?

Atul: In general, Aditya seasonality factor remains in our business, so always the better way of comparing the numbers would be on a YOY basis because there are seasonality limits which are trending always remain the same almost every year.

Subhash: Second quarter is being the lowest actually.

Aditya: All right, that is it. Thank you.

Agarwal: Thank you so much.

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

Ritesh: Good afternoon sir. Sir my question is for Zee Talkies, this is put up into Zee entertainment?

Subhash: That is right.

Ritesh: Sir it was like all the regional channels will come in Zee news that was the understanding so is there any change in the basis of allocation?



Subhash: No that was because of the regulatory reasons. The permission for launching the channel was in Zee Entertainment, but that channel will come to Zee News, do not worry.

Ritesh: So now the Zee Talkies will be moved to the Zee news or?

Subhash: Yes it will move to the Zee news in one quarter or two quarters, we are awaiting the approval from the I&B Ministry.

Ritesh: Okay how much worth of Library is acquired for Zee Talkies if you can share something sir?

Nitin: It is over 300 films. Yes over 300 films are there with us already and we are very aggressive in acquisition of Marathi movies which is currently on and also we are going to produce films that will be aired on this channel may be after theoretically exploitation of those movies.

Ritesh: So, even those activities will come into Zee news?

Subhash: That is right.

Ritesh: How much investment we have put up in this 300 films?

Subhash: We have put Rs 10 crore investments in Zee Talkies.

Ritesh: Okay. Thank you very much sir.

Moderator: Thank you very much sir. Next in line we have Mr. Vinay from Lotus Mutual Fund. Over to you sir.

Vinay: Good afternoon sir. Sir I have a question on your subscription revenue. Can you provide a break up between the analog and digital subscription revenue?

Subhash: We are not providing the information separately, but digital revenues are just beginning they may be about 10% of the total subscription revenue.

Vinay: Basically increased on quarter-on-quarter basis?

Subhash: They will increase but on a small base.



Vinay: It is a small base, right. I am through with my question. Thanks.

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

Ashish: Yes my question pertains again to subscription revenue. The growth in the subscription revenues for the last two quarters has been around 10% to 11%, so are we going to see this kind of growth for the entire year or are we looking at growing number a year?

Subhash: I think this year we should get about 15% for subscription revenues from this company for the full year.

Ashish: Sir, I just wanted to gauge any impact on subscription revenue of Zee News because of TRAI is coming out with some regulations on DTH and ala carte pricing of non-CAS areas will it be an impact on Zee News going forward because of this because we are basically selling as a part of a Zee bouquet so is there going to be any impact going forward in the longer run?

Subhash: That is the reason we are only having 15% growth target this year because of the regulatory issues.

Ashish: Sir what would be going forward I mean would this be any impact?

Subhash: We will improve in going forward in the coming years.

Ashish: Okay and sir are we looking at revamping Zee Gujarati as such because I read somewhere we are looking at changing the look of the channel or something like that?

Subhash: We will do that, but still Gujarati is mainly, we are doing Gujarati because there is a demand in the international market. As far as India is concerned Zee Gujarati have got small loss in this quarter, which is about Rs 2 crores. In India if we break even, that should be okay. The profit for Gujarati content will come from international market.

Ashish: Okay, fine. Sir one last question can you give me a sense of what kind of market share Zee Telgu and Kannada stands?

Moradian: Telgu would in the vicinity of 6.75 to 7% channel share, Kannada is 4%,



Ashish: So Telgu has basically improved from its around 4% market share that it had earlier.

Moradian: Yes in 6 months.

Ashish: But Kannada has long way to go I think so.

Moradian: Kannada has been steady.

Ashish: Sir what kind of market share would it be able to break even in this kind of a market size that is given by you earlier in this call?

Moradian: 8 to 10%.

Ashish: Okay. Fine sir I will come back for more questions again.

Moderator: Thank you very much sir. Next in line we have Mr. Parikh from IL&FS Investmart, over to you sir.

Parikh: Sir your market share gross channel has gone up by descent number actually but the number that you are saying in terms of subscription growth I cannot understand that you might possibly have less ads sold and things like that, but on the subscription growth I mean it does not keep pace with that. How does that happen could you explain sir?

Subhash: We have still work to do on the subscription revenue in the domestic market. We are gearing ourselves to really exploit the market opportunity in the subscription. Give us three-four more months.

Parikh: Okay perfect that is all.

Moderator: Thank you very much sir. Next in line we have Mr. Ruchit Mehta from HSBC, over to you sir

Ruchit: Hi Sir. Sir just it would be Zee news per se the company as a whole what would be your norm of working capital segment? Would it be the same length may be 3-4 times a year?

Atul: Yes it could be similar.



Ruchit: Just on the advertising revenue front. Do you intend to take any other advertisement rate hikes in the coming few quarters or what ever you say as per the IBF you know 25% hike that you have taken?

Subhash: This is a issue of product by product, it is not for Zee News Ltd. as a company, Hindi news channels will be only 25%, what is overall industry hike what we are taking, on Bangla and Marathi, we have already taken price hikes in this year twice, so as the ER (effective rate) of Telgu has improved from the last quarter.

Ruchit: This was little bit generic to the business. Have you seen that you know in regional channel you get more sort of the local advertiser, do you see more off and on national advertisers with advertising?

Subhash: Combination of both or so.

Ruchit: Combination of both sort of. Okay fine. Thank you sir.

Moderator: Next in line we have Mr. Madhav from Lehman Brothers, over to you sir.

Madhav: Can you give me an idea of the differential in growth rates in various markets? First of all how is the regional market going with respect to the overall advertisement industry on the advertising side and then within that where are you seeing the maximum growth rates?

Subhash: See the growth is seen to be coming in all the six languages Marathi is leading and followed by Bangla and of course there is overall expense increase in Kannada as well whereas Telgu is more or less steady and it is growing at the normal industry rate which is 15% to 16%.

Madhav: All right, thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions kindly press * and 1 on your telephone keypad. Next in line, we have Mr. Mehta from ICICI Prudential, over to you sir.

Mehta: In note 5 of your result there is mention of some around 7 crores of commission expense. Could you help us to understand this?

Atul: I will request Mr. Vakil to answer that question. Mr. Vakil are you there?



Hitesh: Yes I am very much there. This is on the Zee Tuner subscription income and advertising sales that is done on behalf of Zee News limited. That is net of agency commission.

Subhash: Have you understood your answer?

Mehta: No. Actually nothing was audible.

Subhash: I think there is problem. Rita, the moderator, are you listening to this?

Moderator: Yes sir, let me just check on this. Can we just disconnect the lines and reconnect his line sir?

Subhash: Any other question, Rita?

Moderator: Sure sir. Next in line we have Mr. Ashish from ShareKhan, over to you sir.

Ashish: Sir, just on the issue of the stake between the broadcasting community and the advertisers on the 25% hike in rate. Sir there were some news report that the companies like HLL, Reliance, etc. they had a blackout against some of the channels, is it? Can you up date on this as regard has it have any effect on our business as such?

Subhash: We did know that they were in a total as a group, But what I have been given to understand is that they have accepted that from January that 25% price hike will be applicable.

Ashish: Okay, so we are expecting a 25% hike from January?

Subhash: Yeah.

Ashish: So, this will be across the channels the chances or it will be only Zee news that will have this?

Subhash: That will be across all the channels.

Ashish: Okay. Thank you.



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

Mehta: Any CAPEX plans that you have for the year?

Subhash: Not much, it is only marginal maintenance CAPEX.

Atul: Will only be 10 to 20 Crores at the best.

Subhash: Not even that much.

Mehta: Just dilution to the equity expenditure in terms of ESOPS or anything.

Subhash: Now in this company we are working on the ESOPS scheme that is not yet gone to the board yet.

Mehta: Okay. Just in terms of the senior management obviously you had an exit of the CEO, Are you looking at getting somebody else from the outside?

Subhash: No, there is a CEO who has already joined from news side of it.

Mehta: Not a problem sir. Thank you Sir.

Moderator: Thank you very much Sir. Participants who wish to answer question kindly press *1 on your telephone keypad.

Atul: Rita we will take only one last question if there is any.

Moderator: Sir, we have no further questions lined up from the participant side sir.

Atul: Rita, we would like to close the call.

Moderator: Sure sir. 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

