



ZEE NEWS LIMITED

4Q FY2007 TELECONFERENCE
April 23 2007, 1:00 pm India Time

Moderator: Good afternoon 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 Q&A session. I would like to handover the floor to Mr. Atul Das. Thank you and over to you sir.

Atul: Thank you, good afternoon and good morning ladies and gentlemen, and thank you for joining us today to discuss the results for the quarter ended March 31, 2007. We do hope that you had a chance to go through the earning sheet and the copy of the results, which are uploaded on our web site www.zeenews.com.

This is the second earning spot for Zee news Ltd., after the demerger from Zee Entertainment Enterprises Ltd. The numbers as published for the quarter and year ended March 31, 2007, are not comparable to the previous period figures. As the news business undertaking consisting of 6 channels was demerged from Zee entertainment with effect from March 31, 2006. The FY2006 numbers will not include the performance of many channels like Zee Marathi, Zee Bangla, Zee Telugu, Zee Punjabi, and Zee Gujarati etc., which have been now demerged from zee entertainment and merged into zee news ltd. For comparison purpose, we have provided the illustrative proforma financials of Zee New Ltd., for FY2006 in our earnings release.

To discuss the results and performance, joining me today from a conference room from Mumbai is Mr. Subhash Chandra, Chairman of Zee News Ltd., and members of the senior management team of Zee News, including Mr. Harish Doraiswami who is the Chief Executive Officer; Mr. Hitesh Vakil, Director Finance; Mr. Boman Moradian, who is looking after the regional language channels.

We will start with the brief statement from Mr. Chandra on the performance in the quarter and the year ended March 2007 and outlook for the quarter and year ahead and then he will open up the discussion for questions and answers. I would like to remind everybody that anything we say, during the 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. With this, I now hand over to Mr. Chandra, Chairman of the Zee News Ltd.

Subhash: Thank you Atul, and thank you very much ladies and gentlemen, for joining with us on this call for the post quarter results of Zee News Ltd., post to post quarter with good performance. I would like to advise strong revenue growth of 47% and improvement in operating margins. We believe that Zee News Ltd., as the potential to grow into a media giant with the regional focus. I am strong in my opinion that Zee News Ltd. is ready to exploit the vast emerging opportunity and will deliver long term shareholders value.

Let me first summarize the result of the 4th quarter. The advertising revenue was Rs 467.2 millions for the quarter ended March 31, 2007, an increase of 37% as compared to the proforma number for the corresponding period last fiscal. The subscription revenue was Rs 146.8 million, an increase of 45% as compared to the corresponding last fiscal. Operating profit was positive by small number of Rs 8.5 million as against a loss of Rs 44 million during the corresponding proforma number of last year and also this is after expensing the Rs 154 million investments in new activities. If you look at that way then and you will have close to Rs 165 million profits during this period. The operating margins on existing business have improved to 25.2%.

Now, I will take you through to this full year of 2007 vs. 2006, which will give you a clear picture of 2007 performance on a like to like basis. The advertising revenue was Rs 1,681 million for the year ended March 31, 2007, an increase of 49% as compared to the proforma numbers of the corresponding fiscal last year. You would agree that this is better than the industry growth rate. Subscription revenue was Rs 563 million for the year, an increase of 19%, as compared to the proforma numbers of the last fiscal numbers. Operating profit was Rs 140 million for the year, a major improvement since last year that it was Rs 3 million. Of this, existing business accounted for Rs 650 million operating profit while our new businesses lost Rs 510 million.

Coming to our business performance during the quarter, we are pleased with our steady improvement in the channel performances. Each one of the channels under Zee News Ltd., either increased or held on to their channels' shares compared to the previous quarters or previous years. All channels' shares of Zee News Ltd, grew from 2.4% in 4Q FY2006 and 3.4% in 3Q FY2007 to 3.9% during 4Q FY2007.



Zee Marathi and Zee Bangla continued to climb the rating chart. Zee Marathi improved its GRP by 27% while Zee Bangla improved by 14%, and Zee 24Ghanta, the Bengali news channel, improved by 32%. The 4th quarter saw Zee Marathi strengthening its grip to the No. 1 position in its genre and Zee Bangla making a strong challenge for the No. 1 slot and finishing at No. 1 in last several weeks.

Zee News has also closed the gap with its next biggest competitor. The relatively new Zee Telugu, Zee Kannada and '24 Ghanta' have all strengthened their position in their markets. India's first 24-hour Marathi News channel 'Zee 24 Taas' launched during this quarter and is faring very well with the viewers.

Zee News continues to deliver a stable rating, as it is the only pay channel in the Hindi News genre and has been successful in garnering strong revenues from both advertising and subscription.

We will continue to reinforce our comparative advantage and deliver more value to viewers as well as shareholders. We will look at investments that built on our competence and enable us to take advantage of these existing growth opportunities ahead. Thank you very much. Now, I would like to open the floor to the Q&A. Atul we can start taking questions.

Now I would like to open the floor. Atul, we can now start taking questions.

Atul: Thank you Sir, Ladies and gentlemen, we are ready for questions now, but before that I would request all participants to please limit themselves to 2 questions, so that we can get as many people on it possible.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your telephone keypad. On pressing *1, participant will get a chance to present their question on a first-in line basis. Participants are requested to use only handsets while asking the question. To ask a question please press *1 now. The first question comes from Mr. H. R. Gala of Quest Investment.

Gala: Good afternoon everybody. Congratulations for good set of numbers for 4th quarter as well as the full year numbers. As we can see from the results and what Mr. Subhash Chandra informed that almost entire operating profit has been wiped out by the operating losses of the new businesses and also if we were to include the loss of 60.9 million of 24-Ghanta, which has not been considered in

the standalone results. Now, what is your take on when do you see like time-frame by which these losses could be curtailed and all these channels can start contributing positively to the bottom line of Zee News?

Subhash: See Mr. Gala any new channel that you launch in this company, would be either the news channel in different regional languages or they could be regional entertainment channel, every product takes 2-3 years before it starts breaking even. Now, out of our 4 new initiatives, which is 24 Ghanta, which is Bangla news channel, 24 Taas, which is marathi news channel, Zee Telugu and Zee Kannada, you see that this year we would have Zee Telugu breaking even. 24 Ghanta bengali news channel would be close to break-even or may be very marginal loss and the other two will next year break-even next year. So, in any case, this year we have because of these 4 channels the losses, which have been Rs 60 Crores. The coming year the losses from these 4 channels are very small may be not be more than Rs 25 Crores. And our existing business will also improve as you can see that the industry growth on advertising was last year 16%, and we have still given 37%-38% growth in advertising.

Gala: Sir would you like to give any broad guidance for FY2008 as you have done till FY2011 in case of all the group companies.

Subhash: But I will stick to 2011 target numbers but you can track us on a quarterly basis or a yearly basis and see whether we are going to beat 2011 numbers or achieve whatever.

Gala: Okay, is there any major capital expenditure plan in Zee News?

Subhash: No we have to keep expanding our business into zee News Ltd. If you are expecting us to be the equivalent of Sun TV in few years' time, then we need to do some investments.

Gala: But will it be in terms of the scale, will be as substantial as what we are going to incur in Dish TV and WWIL?

Subhash: No, not to those lines.

Gala: Approximately, can you give a flavor of what kind of annual capital expenditure we may have to incur?

- Subhash:** There is as no requirement at least in the next one year. We are not going to raise any money.
- Gala:** In case, if I have any finer details on the financial number, I can get back to Atul. Thank you very much and all the best.
- Moderator:** Thank you very much Sir. Participants connected to SingTel request, I requested to press 01 to ask the question and participants connected to WebEx India kindly press *1 to ask the question. Next in line we have Mr. Aditya from Nicco.
- Aditya:** Good afternoon Mr. Chandra and Mr. Das. My question relates to full year performance of Zee News 2007 regarding subscription revenues: Just wanted to understand that your existing subscription revenue growth was just 9%, could you explain this that I think it was much lower than what we expect.
- Subhash:** No 19% not 9%.
- Aditya:** Sir, in your existing business, revenue subscriptions have grown from 472 million to 515 million. In your release in the last page, I am talking about the existing channels not the new channels. If you see existing channels, the subscription revenue has grown from 472 million to 515 million, which is a growth of 9%.
- Atul:** At present, our revenue has largely come from the same analog systems, where there is price freeze and most of the channels are part of the existing bouquet, therefore except for the connectivity increase there is no other growth possible. Conditional access is now mandated in three cities and we are yet to see the growth on that account.
- Aditya:** Yes, but I would have assumed that you will have added about a million subscribers on you DTH platform itself
- Atul:** DTH numbers have started coming in now and accordingly the numbers would start flowing in from this financial year. It was there in the fourth quarter, but we have yet to see the full numbers.
- Aditya:** Fair enough, is it possible to disclose what is the subscription base as of now and what fees are we getting out of it.
- Atul:** Subscription base for DTH?

- Aditya:** of Zee News or from both DTH as well as other.
- Subhash:** We do not have it right now in front of us, the numbers but we can tell you that the growth subscription for this company in the coming year would be more or less in line with the Zee entertainment, which is going to be about 25% plus growth for the coming year on the subscription level
- Aditya:** Okay, that is quite useful. And I had, another follow on question, is there plans of any other channels which you are either planning to launch in the coming year or may be in year or two.
- Subhash:** Not in the near future in this company, but as I said earlier that we are looking at all the new initiatives to break-even and then if we are confident then yes, we are heading in that direction and if there is a merit in another initiative of new channel, which will add value to the overall value creation for the shareholders, yes we will.
- Aditya:** Thank you sir, thank you very much.
- Moderator:** Thank you very much sir. Next in line, we have Ms. Sandhya from Igate Investment. Over to you madam.
- Sandhya:** Hello sir, I would just like to know the profitability's on the existing business and new business.
- Subhash:** Profitability's on existing business operating margin is Rs 650 millions and as if as the losses in the new business is 511 million.
- Sandhya:** Could you repeat that?
- Atul:** Rs 510 million is the loss on the new businesses. Rs 650 million is the profit on existing businesses.
- Speaker:** How did the economics work up of a new channel? What is the kind of an investment or when you start a new channel? I mean I guess your break-even is around 2 years to 3 years, is that right?
- Subhash:** Yes, that is right.

Speaker: Would be investment in a Marathi channel be different from that in Bangla or Kannada different language channels. Does that vary across?

Subhash: Yeah, it is possible.

Speaker: What roughly would be the investment in channel like this?

Subhash: Well I will not like to discuss that. And we run a tight ship every which way. Also it is competitive information.

Speaker: Okay, sure. Going ahead you know you indicated that all your channels start doing well and if interested to see you know you are addressing a market which is almost 1/4 of the normal advertising market. What are the steps if you could give us strategy based steps being taken to ensure profitability coming in these segments. I mean there must be some strategy in each of the channels I am sure but on a broad basis if you could outline it would be extremely helpful for us to appreciate what you are doing?

Atul: On the standalone financials, every channel other than the Zee businesses make money and so we are already EBITDA positive and some cases we are strongly EBITDA positive in all our existing channels and on the regional channels obviously the effort is to get it down to EBITDA breakeven as soon as possible and Mr. Chandra has already indicated the timeline for that.

Speaker: No my question more pertained to the fact see I am just giving you an example for example some content could you know the cost could be lower because it could be dub into another language I do not know whether that works. We may not from the same theme but maybe the cost of developing the content for one channel or the other gets lower if it is done in our bouquet the way have it or other things maybe, you know, trying to attract market. Essentially, I am looking at the business strategy to increase the revenue. How do you go about doing that?

Subhash: When we are talking about the new news channels, when we add a news channel into the bouquet, there is marginal increase in the cost because of the infrastructures which at least across the country. So, the kind of money, what Zee News will spend vis-à-vis a somebody else starting in a news channel would be more or less 50% difference.

Speaker: Yeah.

Subhash: Now the strategy for us if you look at the overall advertising revenues for all regional channels, rather it is news or entertainment. At least the four states of south itself is 46% to 47% and if you take the eastern the country, then you take the western country, these put together again would constitute 7% to 8%. So, you are talking off addressing 58% to 59% of the overall market through these businesses. And if you add on top of that, the news channels, national language news channel, we are looking at more than 60% of the market.

Speaker: Okay, anyway, I will get back to it again. So, maybe I will meet you personally to understand it. Thank you, that is last for me.

Subhash: Okay fine.

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

Girish: Good afternoon sir, this is Girish. Just would like to ask about the breakup for news revenue and non news revenue if possible in percentage terms.

Harish: Sorry, This product wise information. For competitive interest we cannot share.

Girish: All right.

Subhash: But you can make out more or less existing business, or news business, or business is together.

Girish: Existing business would have one or two regional channels.

Subhash: Yes Marathi and Bangla is the together.

Girish: Sir a follow on question would be. Would you launch the Tamil Channel in FY2008?

Subhash: Not in FY2008.

Girish: Alright. Thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Zaveri from Deutsche Equities. Over to you Sir.

Zaveri: We are just following up on Aditya's question earlier. In case, can you give us breakup revenue for Zee News breakup in the sense DTH revenues, cable revenues, and digital cable revenues? Are these all practically all analog revenue cable as Atul earlier mentioned.

Hitesh: Right it is practically all analog revenue, a small portion of is on account of DTH in the CAS. CAS is virtually negligible.

Zaveri: Even if I assume that CAS is virtually negligible. If I look at your other companies Zee Entertainment and the amount that it is making in DTH subscription based itself. Would the subscription base be available for this company, i.e., how much of you DTH subscribers or how much of overall DTH subscribers take regional and news channels? Because there is a fair amount of interest there.

Subhash: Moving forward, I am assuming and we are getting approached by all the news channels, whether they are Hindi or the English channel all of them want to go pay and naturally Zee news as I said earlier, when somebody asked that question, that we will deliver in this company also a 25% growth on subscription revenues, in FY2008.

Zaveri: Okay, normally when we look at the DTH subscriber base, we know that it addresses a large part of the Hindi market, but how do we break it up and say okay, this is you know you do give up in to dish TV presentation itself of 4 many people from Maharashtra, so many people from West Bengal. In stead of fair enough assumption of DTH subscribes who could possibly be taking Zee Bangla, Zee Marathi, or Zee Punjabi.

Subhash: Yeah they are there. We do not have the breakup. We know that there are only about 18%-20% subscribers of dish, those who are on the basic package, almost 80%-85% subscribers are taking the maxi-package which includes all the channels.

Zaveri: Finally sir, when you have been asked of the Zee Tamil launch, which you said will not happen in FY2008. There was a Malayalam launch also which was spoken of at some time before. Is that possible that both will happen together in FY2009 or is it like still further away?

Subhash: The board of Zee News Ltd had approved the Malayalam channel, but we are not yet sure that we would be launching in FY2008. We are still pushing the

management to reach to the breakeven position on Telugu and Kannada channel.

Zaveri: Finally one last question on advertising? This is what has been hearsay within the industry. Apparently, Zee Bangla has done so well on the advertising part that it has started to hit the Hindi channels in that particular region. How far is that correct sir?

Harish: The advertisers who come on Zee Bangla also appear on Zee News because Bengal is only a small percentage of the market that we cater through advertisers on Zee news. There is really no cannibalization as such.

Zaveri: I was actually looking at cannibalization happening not from Zee Bangla to Zee News but actually happening from Zee Bangla to Zee Entertainment or Star plus for that matter?

Harish: Again this is the same story. Somebody advertises on the Zee entertainment to capture a national audience.

Zaveri: Correct.

Harish: And therefore, you know cannibalization so that just because Zee Bangla is successful in Bengal only does not really happen in practical terms.

Zaveri: The view that I was taking was okay, Zee Bangla would be available at say 10,000 or 12,000 per 10 seconds, vis-à-vis Zee Entertainment which would be like roughly 10x of that and someone like, I will give u an example; Glaxo Smith Kline consumer, which has Bengal or south and east as the main markets would actually find that as a very cost effective option?

Subhash: No, what happens is that if an advertiser is spending in a year 100 Crore for examples and if they were spending 5 Crores on Zee Bangla before, today they are spending 10 Crores because of its rating improvement.

Zaveri: Yeah okay.

Subhash: But the remaining 95 Crores they are putting on 10 channels, now they will put only 90 crores on those 10 channels.

Zaveri: Yeah okay.

Subhash: You will have to look at it in that way, rather it hurting a specific genre or specific channel.

Zaveri: Yes fair, and one last question sir, Sun actually has a very strong library of movies, particularly south Indian, both Telugu and Tamil put together. At some point in time, sir you will also have to go out and buy for what you have done for Zee Cinema earlier; what are the challenges that you will face in getting that content?

Subhash: These are the challenges. That is why we are taking our time to spare ourselves in those certain stream.

Zaveri: Okay fine. That is all in my side sir, thank you and all the best to you.

Subhash: Thank you very much.

Moderator: Thank you very much sir, next in line we have Mr. Ritesh from Dolat Capitals.

Ritesh: Good afternoon sir.

Subhash: Good afternoon.

Ritesh: I have a question on OPM margin, for a 9 months on existing business, our OPM was about 31%-31.5% which has moved down to 25% in this last quarter. Is there any particular reason for that?

Harish: The large portion of this dilution was really caused by production cost. If you notice this was an event heavy quarter. We know we had to start with you know something like the union budget, to cover which you need in additional production cost? We had the cricket world cup which is once in 4 years and we had the Zee Gaurav Awards which typically hit us in the last quarter. The difference is already loaded in terms of increased production cost and this will be a trend every quarter.

Subhash: In comparison to the last year, we had better off this year.

Ritesh: On how many channels, Zee news will be having it pay channel on 9-10 channels?

- Harish:** Technically, only 24 Taas, which is new Marathi channel, is free to air.
- Ritesh:** I am sorry which one?
- Harish:** Only 24 Taas which is a new Marathi channel is free to air. All the others enjoy subscription revenue.
- Ritesh:** So, everyone is contributing to the subscription except that 24 Taas?
- Subhash:** Now, there is not much, it is only marginal, but they have just started getting pay and it will show the results in the coming quarters of the year.
- Ritesh:** Okay, okay. Now, as there are no plans to launch new channels in FY2008 are total expenses of 220 crore. Is there any material change happening in that front or would it opex will remain in the same for the year?
- Subhash:** From where did you pick up these 220 Crores?
- Ritesh:** The total expenditure of the FY2007 is approximately 222 crore, so when we are not launching new channels, so, would it be like this expense would change materially?
- Subhash:** There should not be material change, but there would be some hike in the programming expenses and other expenses?
- Ritesh:** Okay, okay. That is it from my side. Thank you.
- Subhash:** Thank you Ritesh.
- Moderator:** Thank you very much sir, next in line we have Mr. Lathia from HDFC Asset Management. Over to you sir.
- Lathia:** Thank you for the opportunity sir. Just one small thing, in the previous quarter's conference call, we mentioned that Zee news. Ltd as a company gets approximately 20 rupees per subscriber out of the entire Zee-Turner bouquet pricing that is there for the DTH or any other platform. If you just extrapolate that on a 2 million of base, Zee news should do about 48 or 50 Crores of extra subscription revenues in FY2008. Is that a correct way of looking at it or is there something wrong in that assessment?

- Hitesh:** If you look at the numbers, we have reported 562 million as the subscription income and you are right in your calculations roughly around Rs. 20 as the rate and it works out almost the same.
- Lathia:** So, then we are talking of a doubling of the subscription revenue vis-à-vis with the 25%-30% number that you have been talking about The subscription figure at the end of the next fiscal could drastically look different from this years subscription number, that is point that I am trying to understand?
- Subhash:** It is possible Mr. Lathia.
- Lathia:** Okay, sir, thank you very much.
- Moderator:** Thank you sir, next in line we have Ms. Nandita from Karma Capital. Over to you madam.
- Nandita:** Good afternoon Mr. Chandra.
- Subhash:** Good afternoon.
- Nandita:** I wanted to ask you about the CAS roll out, in terms of you know what is the progress so far, how many set top boxes having been installed?
- Subhash:** Which market you are asking, this question?
- Nandita:** CAS all over?
- Subhash:** All over about 500,000 boxes in the CAS market.
- Nandita:** That is just for Siticable?
- Subhash:** No, all the three MSOs together.
- Nandita:** Okay all the MSOs together and so is it meeting your expectations and do you have enough boxes in the pipeline to rule out more work. Can you just give us an idea of how the progress is?
- Subhash:** Yeah we will discuss these issues in WWIL conference call if you do not mind, but still since you have asked the question we are expecting much better than this; what has happened.

Nandita: All right, thank you.

Subhash: Thank you.

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

Vikas: Good afternoon sir, thank you for the call, just two questions; one on the quarterly run rate of our cost of broad expenses which as around 25 Crores for the past 9 months, now as you said, the budget was there we had done last year 28 crores, is that a fair run rate to assume?

Hitesh: You are referring to the total expenses.

Vikas: Yes, total expenses you have done of Rs 759 million for the first 9 months. So, is that a fair run rate to assume which means a quarterly expense of 253 million?

Hitesh: That is right, it translates with that amount. As earlier it was mentioned that, we do not expect any abnormal increase in the expenses this year.

Vikas: Okay.

Hitesh: As most of the channels are now launched and they are around steady run rate at this moment?

Vikas: Okay and there is a steep increase in your other sales and services revenue which Rs 36 million for the first 9 months, went up to 76 million in this quarter, any specific reason?

Hitesh: That is just additional sale of content. It is just onetime income.

Vikas: Okay.

Hitesh: You may ignore it for the purpose of tracking.

Vikas: Thanks a lot for the comment.

Moderator: Next, in line we have Mr. Krishnan from Ambit capital. Over to you sir.

Krishnan: I just wanted to know if you could share some data regarding the market share that you had in various channels, especially the news channel.

Harish: We are about 14% share in the news market and we have headed onto that share now in this quarter compare to last quarter?

Krishnan: In terms of the regional channels which were there right from the beginning, coming, which would be the Marathi and the Bangla channel. Could you just share the ballpark market share?

Harish: Its about 40.

Krishnan: There is one more question about the sales and services of that you had talked about in the total revenues, which was just syndication revenues? Is it right to assume that this syndication revenues have contributed heavily to that?

Subhash: Yes, these syndication revenues, the onetime sales of the full library.

Krishnan: Okay. Have you seen any kind of office slow down especially in this one quarter especially because of the KBC and the World cup I mean has there anything that you have seen?

Subhash: Not on Zee News Ltd side. It has impacted the Zee Entertainment business, but not on this quarter.

Moderator: Next in line, we have Mr. Amit Mehta Prudential ICICI, over to you sir?

Mehta: Good afternoon sir, this question pertains to the operating expenses for the new business? Is there any onetime expense which is included in this business and what is the policy on the expending of the current acquisition rate?

Hitesh: Well, there are no onetime expenses. All recurring expenses that we are booked earlier booked. All the expenses are fully booked and will amortization policy constant. It has been 5 years amortizations evenly.

Mehta: Okay thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Lathia from HDFC Asset Management.

- Lathia:** One more small thing. The other sales and services I think you mentioned that it is a syndication sales, I believe that it would be content sales to some third party overseas? Is that correct or I have it wrong?
- Subhash:** No it is a domestic sale of the contents?
- Lathia:** So, it is a domestic sale of content? Okay. Would it be fair to take it as recurring or one off?
- Subhash:** There are recurring syndication revenues but not that much. I would say this quarter was little bit abnormal.
- Lathia:** A small financial question, the other income of about 13 crores for the whole of fiscal 2007, would that be purely financial income or would that there is some element to it as well?
- Hitesh:** This is purely financial income and plus some foreign exchange.
- Lathia:** That will correspond to the liquid balances with the company and we should assume that it can only grow next year because we have probably going to throw some positive cash next year?
- Hitesh:** No infact, this was actually arising due to restructuring exercises and there is no chance of it continuing further.
- Lathia:** So, 2008?
- Hitesh:** Will not see those expanses as well as our income on financial activity.
- Lathia:** Okay so, no interest cost and no other income is best assumption to go ahead with? Thank you very much for that.
- Subhash:** Thank you very much.
- Moderator:** Thank you very much sir, next in line we have Mr. Sachin from Wealth Managers. Over to you sir.
- Sachin:** Good afternoon sir. I have a specific question on the Zee news regarding how many cities do you cover?

Harish: How many cities cover, our total reach is roughly around 33 million is only on Hindi speaking and all India level it is roughly around 60 million?

Sachin: 60 million cities?

Harish: 60 million populations.

Sachin: How many cities does it cover actually?

Atul: All over India.

Sachin: All over India. Okay and what is the strength of our company?

Atul: Strength in the sense manpower?

Sachin: Yes manpower employees.

Atul: We have roughly 1,200 employees.

Sachin: Okay and one more general question. How do you rate the Zee among others?

Harish: I very recently answered this question in form of market share.

Sachin: What is the edge of the company; I mean which competitors like in such a big business.

Atul: It is a huge business. All the regional channel business?

Sachin: No in the news channel.

Harish: Sachin, as we explained the market share, today in the conference call, I think that we can explain more but as you question is very open-ended which would require more discussion? This is not the forum to take you through the consumer research. Some time may be on on one-on-one meeting.

Sachin: Can you speak a little louder sir. I cannot hear you.

Atul: I do not know this is the appropriate forum to take you through certain consumer research what we have done but may be on a one-on-one at some point in time we can.

- Sachin:** Okay. Okay. Yeah. Thanks a lot.
- Moderator:** Thank you very much sir. Next in line we have Mr. Nikhil from ICICI Securities. Over to you sir.
- Nikhil:** This is Nikil from SSKI Securities. Sir you mentioned about the Zee news getting around Rs. 20 on subscription fund, but as I understand Dish TV possibly paid Zee-Turner bouquet around Rs. 45 for the entire bouquet, so are we to presume for the franchise channel and also for Zee Entertainment we are getting only Rs. 25?
- Harish:** Sorry I did not get your question.
- Nikhil:** For the Zee news subscription rate is that Rs. 20 for Zee news subscription?
- Harish:** Rs. 20 is on Analog revenue. The analog package is Rs. 93 package for the interaction of which the Zee News limited channels have a share of about Rs. 20.
- Nikhil:** To make it worth for DTH and how much would it turn out to be?
- Atul:** As far our TRAI notification it has to be around 50% of the cable rate.
- Nikhil:** So it will be 10 is it?
- Atul:** That is too simple way to calculate it, but it does not work that way. DTH rate is linked to the individual cable rate on ala carte basis. So, whatever is the channel rate is like Zee news and various other regional channels, 50% of that is being fixed for DTH.
- Nikhil:** No, I understand that, I am just saying that if we just do a broad math on this, is it fair to assume that we get 50% of the analog rate of the Zee news bouquet?
- Atul:** You can calculate at Rs. 10 as well. Ideally, I would put it around Rs. 6 to Rs.7.
- Nikhil:** Okay. Is it possible to know out of the overall advertising revenue of close around 157 Crores for existing channels. How much would be Zee news specifically?
- Harish:** Again it is competitive information that is starting to disclose at this moment.

Nikhil: Okay. Fair point. Is there any subscription revenue that we get international for Zee news?

Atul: In Zee news, we are doing syndication of our programming and we do not get direct subscription on our bouquet.

Nikhil: Sir now the Zee News channels are in the international bouquet?

Atul: It is in the international bouquet but we just do the content selling from Zee News Limited.

Nikhil: Right.

Atul: So, international entity are buying contents or buying the feed from Zee News Ltd. and pays for it for select market in UK, US.

Nikhil: Okay and I would presume there is no major market for regional channels globally right now for you to exploit. It will contain the main content syndication.

Subhash: It was not significant. We tried with the Gujarati and Punjabi channel but it is not giving us that kind of significant revenue side.

Nikhil: Just lastly, this other income and the tax provision that we have done this year, can you just relate on that, because both of them seem to significant in share?

Hitesh: As we mentioned other income includes onetime income on account of film library selling and there is interest income. It is recorded as interest income below the line and if you are asking for overall tax provision it is a full rate but there is no benefits received in this company. Full rate plus fringe benefit tax and all put together will be roughly around 36% to 37%.

Nikhil: Okay. Thanks for this.

Atul: Can we have just one last question please?

Moderator: Alright sir. Next in line, we have Mr. Sanjay from ASK Investment Manager.



Sanjay: Yeah this is Sanjay Parikh. I just wanted to understand the pricing as we have in regional channels, from now on to next few years it will be five, where do you see the rates going ahead for the regional channels?

Atul: For advertising or for subscription?

Sanjay: For advertising.

Harish: I think strongly that as we are seeing there are right now a regional brand that is developing and for some of these guys regional television is going to be really one of the most key medium for them to advertise. So, as long as the economy is growing and regional brands are growing and the channels performance is growing obviously the effective rates that we can charge on regional channels are going to be higher.

Sanjay: Great. Do you see rate increases being able to absorb between us may be around 15% to 20% year-on-year every year?

Harish: Are you talking about the same level of channel performance or superior level?

Sanjay: I understand that vis-à-vis totally about EBITDA pricing power but on the general level if a channel stays in a top two in the regional segment. Would it be able to increase 15% to 20% year-on-year every in the 5 years?

Harish: It depends on market to market but my guess is it would be 10% to 15% percent depending on that.

Sanjay: How do you see the subscription market shaping up?

Harish: I think in subscription we have seen, highly discontinuous changes right now and while we are all like subscription revenues to grow up 25% odd percent. If CAS implementation moves to 40 cities by the end of the year, results would be very different. I think a lot of big changes are going to be discontinuous in terms of subscription and not linear, so I think it is best to look at the subscription to look at from the longer terms especially 5 years and then stay okay so that there will growth will out of the 35% tracking this on year to year basis.

Sanjay: One last thing, you are clearly in an investment phase and you are doing it excessively so any views as to your own about till what cash burn are you finding and beyond that, you know, you do not go further and you want to consolidate?

Harish: If you look at this like I mean assuming that your question is for the specific relevance to other markets. If you look at it, I mean back to the matter as on quarter-to-quarter basis our trends are positive for viewership on the certain channels. We also see the threshold in terms our featuring in every media plan of every advertisers, is about 10%. The moment we hit the double digits market shares it will be very difficult for us to be ignored in any media plan and the good news is that we are trending in that direction in this quarter compared to the last quarter. So, the short answer to you question is to be see ourselves actually positively trended on this. So there is no need to cut ourselves in the future.

Sanjay: How much is the debt right now?

Harish: The company dos not have much debt.

Sanjay: Okay fine. Thank you very much.

Moderator: Thank you very much sir. I would like to hand over the floor back to Mr.Atul Das for the final remarks. Over to you sir.

Atul: Thank you all for joining us. We hope to have our transcript of call very soon on our website www.zeenews.com. We look forward to speaking to you again at the end of the first quarter of FY2008 or even earlier on one-to-one basis. Thanks and have a nice day.

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 lines. Thank you and have a nice day.
