



## ZEE NEWS LIMITED

---

Q4 FY2009 TELECONFERENCE  
APRIL 23, 2009, 4.00 P.M. INDIA TIME

**Moderator:**

Ladies and gentlemen, good evening. This is Melissa, the Chorus Call conference operator. Welcome to the Zee News Limited Q4FY09 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal the operator by pressing "\*" and then "0" on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tarun Nanda of Zee News Limited. Thank you and over to you, Mr. Nanda.

**Tarun:**

Thank you Melissa. Good evening, ladies and gentlemen, and thank you for joining us today to discuss the results for the quarter ended March 31<sup>st</sup>, 2009, that is the fourth quarter of fiscal 2009. We do hope that you had a chance to go through the results and the earnings release both of which are uploaded on our website [www.zeenews.com](http://www.zeenews.com). To discuss the results and performance of the company, joining me today is Mr. Punit Goenka and members of the senior management team of the company including Mr. Barun Das, CEO; Mr. R.K. Agarwal, CFO; Mr. Atul Das, Executive Vice President, Corporate Strategy and Business Development; Mr. Nitin Vaidya, Head of HSM GECs & Mr. Boman Moradian, Head of Southern channels. We will start with a brief statement from Mr. Goenka on the fourth quarter performance and then open the floor for questions and answers. Before we start, I would like to remind everybody that anything that we say during this call that refers to our outlook for the future is a forward-looking statement that must be taken in the context of the risks that we face. I would now hand over to Mr. Punit Goenka.

**Punit:**

Thank you, Tarun. Good evening, ladies and gentlemen and I thank you for joining us today to discuss the results for the quarter ended March 31<sup>st</sup>, 2009.

It has been a unique year for the television and broadcasting industry. While there has been slowdown witnessed in the print media segment and also in a section of the television-broadcasting space catering to the Hindi mass markets, we are happy to see that the news and regional segments have not been affected as much. This validates our belief of making early investments in the fast growing regional television market. The

regional channels of Zee News Limited have created a strong leadership position within the Hindi-speaking markets while the news segment continues to build on this leadership position. In recent years, we have made further investments in the Southern markets including Kannada, Telugu and Tamil and I am very confident of making a significant impact in the years to come.

The television broadcast industry in India continues to grow with more households watching television and a good proportion opting for the digital platform services. The growth in television household is now coming from the hinterland as well. The viewers in these areas have higher inclination to consume programming in their local languages. Also, advertisers find the regional television segment a good vehicle to reach these audiences in a more effective way. We are confident that Zee News Limited with its strong portfolio brands and a focused approach towards building its market share will stand out amongst its peers. I am glad to share with you that we have done extremely well during the quarter despite the slowdown. Advertisement revenues for the full year recorded a growth of 40% while subscription revenue grew by 45%. Despite the big-ticket launch of Zee Tamil and pre launch expenses of Zee 24 Gantalu and Zee News Uttar Pradesh, Zee News Limited managed to maintain its EBITDA margin almost at par with fiscal 2008.

Let me now summarize the results for the fourth quarter. Advertisement revenues were Rs. 1.1 billion, an increase of 20.5% as compared to the corresponding period last fiscal. Subscription revenue was at Rs. 286 million, an increase of 30% year-on-year. Leveraging the extensive digitization rollout and a strong bouquet composition, Zee News Limited recorded a 21% growth quarter-on-quarter in the subscription revenue. We continue to be upbeat about the revenue composition getting in favour of subscription in the coming quarters. The EBITDA margin for this quarter stood at 15%. While the new businesses with a relatively smaller base delivered stupendous revenue growth on the back of Zee Telugu and Zee Kannada. The existing businesses revenue has also been growing. Last year quarter four was an aberration with significant revenue growth over the preceding quarter. Therefore, 4% growth year-on-year in revenue is a significant achievement in the current economic scenario. While the performance of the existing businesses soared high, we consciously continued with our investments in our leading channels in order to maintain and grow our lead so that we enjoy higher traction going forward. The company has taken a conscious decision of tightening its belt and attaining highest level of operational efficiencies at all levels. The results have started coming in for us to see. The total expenditure in this quarter has risen by just about 4% compared to the preceding quarter. Sales and marketing including placement has

gone down by around 24% in the same period. All other costs recorded a nominal increase barring personnel cost which went up due to recruitment for newly launched regional channels and the GEC employees being transferred under Zee News Limited payrolls. With a long-term vision, sensitivity to changing viewer preferences, innovation and financial discipline, your company has challenged the economic slowdown and emerged a winner. We are confident that we will continue to outperform the industry going forward. Thank you very much and with this, I hand over back to Tarun to open the floor for question and answers.

**Tarun:** Thank you, sir. Ladies and gentlemen, we are ready for the questions now.

**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Abneesh Roy of Edelweiss. Please go ahead.

**Abneesh:** Good afternoon and congrats on for the good set of numbers. My question is regarding Zee Bangla. Last week Star Jalsha overtook your channel and the strategy of Star has been largely through movies and newer content. Wanted to understand if this a one-off thing and are you confident of regaining the number one slot?

**Nitin:** Firstly, Star Jalsha has bought movies at a huge cost. Secondly, what happened last week in Calcutta is due to distribution disturbance, because of which channels belonging to Zee Network got affected. Not only Zee Bangla but other channels were also affected. The issue has now been resolved and by next week I expect to re-claim our original position.

**Abneesh:** But sir, I think in the Hindi GEC space, some of the new channels are getting lot of ratings due to the new movies. What is the strategy in the Bengal and Maharashtra markets regarding the new movie acquisition?

**Nitin:** In Bengal and Maharashtra, we ourselves have ventured into movie production last year, and have released four movies in Bengal. These will become an inherent property of Zee News Limited. We have adopted the same strategy in Maharashtra also and apart from the new movies being produced, movies by individual producers are also coming to us. We are thus buying movies aggressively in both these markets. In Bengal, the cost has gone up a bit but we are compensating that with a mix of movie buying and in-house movie production. In Maharashtra, we have a stronghold on movies by and large.

**Abneesh:** Sir, most media planners believe that regional channels advertising will grow faster but in this quarter, your existing

channels have grown by just 4% you also mentioned that Q4 of FY08 was an exceptionally high quarter. Wanted to understand how you see the next two quarters in particular. I understand it's a very dynamic environment currently but any clue which you can share with us on advertising front.

**Punit:** The regional market definitely is seeing more growth than the rest of the business. One, the regional market itself is expanding very fast because of penetration of television going to hinterland and adding more audiences. Secondly, in most of the places, the regional market has been quite low given the inherent monopoly situation for the national channels. These are some of the reasons why the media planners believe so. For us, we still feel that the regional market will be growing in these next two quarters as well. But we will not be in a position to give you a percentage for that.

**Barun:** Punit, just to add to that. Last year Q4 was an aberration, the media industry scenario is such that the third quarter is the largest quarter. Last year, we did exceedingly well in fourth quarter. So growing 4% over last year fourth quarter given the current economic scenario is a very encouraging sign for us.

**Abneesh:** But this quarter would have also seen some revenue growth from political advertisement? In the next two quarters that may not be there significantly.

**Barun:** That's not fully correct. Political advertising did start in the fourth quarter but as soon as the code of conduct came into place, all those were withdrawn. So the effect of political advertising would come in the current quarter.

**Abneesh:** Okay. That's all from my side. Thanks.

**Moderator:** Thank you, Mr. Roy. The next question is from the line of Shubham Majumder of Macquarie Capital. Please go ahead.

**Shubham:** Hello, gentlemen Congratulations on the solid set of numbers in a very challenging time overall and for the media industry. I have two questions. One is we have seen some costs blowup in this quarter much more than what we potentially were expecting especially given the softer growth rate on the revenue line. Particularly noticeable are the costs on staff, the admin costs and basically the cost of sales and servicing, and the programming cost. Can you just tell us why would staff and admin costs go up so much on a quarterly basis as well as on annual basis? And has this surprised you also? And just tying in with the news in the media that you are taking salary cuts for about 17% of the top management staff in the company, should we worry about more difficult times going forward in terms of cost management? And also on advertising and overall sales

number, they have come down on a quarterly basis for the first time ever. I understand that this is a very challenging time micro-economically. So any thoughts on the outlook over the next 6-12 months on the advertising side of the business. This is my first question. Second question is on the rating slips in Kolkata. I think 2 or 3 weeks, your ratings have declined significantly from 400 plus levels, you used to do at one time, or close to 400 much lower levels. And there is a risk that you may slip. And I just want to understand in a little more detail, what is this recurrent distribution issue that you are facing in the Kolkata market. This keeps coming up as a theme every three to four months. Thank you.

**Punit:** Firstly on the manpower cost, if you take a closer look, we have launched three new channels this year. Zee Tamil was the first followed by Zee 24 Ghantalu, and then Zee News UP. As we add people, the cost of manpower and administration will definitely go up.

**Punit:** The second reason is that the ad sales for the regional channels were till now being handled by Zee Entertainment. Effective 1<sup>st</sup> January 2009, it has been shifted to Zee News' rolls directly. Zee Entertainment used to charge a commission on that of 15% which it is no longer charging. So, that manpower cost also has got added here.

**Shubham:** Right, so the staff cost has basically gone up because you have in sourced the selling staff now and that is the reason why selling and other costs are actually showing a very large decline on quarter-on-quarter basis because there are 15% commission is not being charged anymore.

**Punit:** That's correct.

**Shubham:** From this base of Rs. 20 crores on a quarterly basis, would it grow at a sustainable rate and what sort of sustainable rate would that be for staff cost increases?

**Punit:** The growth has already come in there, Shubham, for this quarter and it will be maintained there. And the effects of manpower cost reduction/rationalization will be seen in the coming quarters.

**Shubham:** How much could that be because of the salary cuts and staff cost cuts potentially?

**Punit:** We are still working on the details, so we will not be able to give you a number today. But end of first quarter, we should be able to give you something.

**Shubham:** And on the advertising outlook?

- Punit:** Before I go to that, I would like to address the Zee Bangla question. The reason we have seen this decline over the last couple of weeks is, as you rightly put it yourself, is the distribution issue that we are facing in that market. This is a constant battle that we broadcasters have to fight with cable operators to get better declaration, to get higher yields from them. And as I said earlier, the markets are expanding, newer and newer MSOs are coming into those markets and we are having that tussle going with them. I do expect this to go on even in the future as that's an integrated part of our business. Barun, can you take the advertising question?
- Barun:** The outlook for next year at this point in time, I do not think anybody will have much fix on it. But as far as quarter one is concerned, the news channels would do well. Riding on the election advertising, we are expecting pretty robust growth in the news operations. Our southern regional channels would continue to enjoy traction and we would be doing reasonably well in the Northern HSM regional channels as well. We expect that quarter three onwards the market would turn around a bit. So, therefore the challenging quarter for all the broadcasters would be the second quarter this year. Various estimates have been made but we would continue to maintain that whatever might be the industry growth rate. Our performance would outgrow that.
- Shubham:** Thanks. Just a small follow-up from your question on Bangla, does it mean that, you would continue to potentially remain number two or number three on ratings in Bengali for more sustained period because of these distribution issues?
- Nitin:** We will be number one. Last week, we slipped because of distribution and not because of any other reason. I would also like to share that in non film GRPs we are ahead of Star Jalsha and ETV Bangla.
- Shubham:** And if you just add your insight as to why Star Jalsha? What are they doing to see such a massive ramp-up in ratings?
- Nitin:** The film library has been there with them. In spite of that, we have been number one. We had distribution-related issues in Kolkata, in the key Kolkata areas, as a result of which we have gone down. We will be back at our original position.
- Barun:** It is pretty obvious in media industry. Such deviations, such fluctuations would not happen for any other reason other than the distribution issue. And in Kolkata, there are still clusters of two or three large distributors. So, whenever there is an

anomaly or disturbance, which is a constant business process, there could be one or two such instances.

**Shubham:** So, Barun, what I see from that is, you do not see any problem whatsoever on the content or the fundamental positioning or offering to customers as such.

**Barun:** Not at all. On the contrary, I think we are quite confident that going forward, we would continue to make an all lead.

**Shubham:** Thanks.

**Moderator:** Thank you, Mr. Majumder. The next question is from the line of Anand Shah of Angel Broking. Please go ahead.

**Anand:** Good afternoon, sir. I just wanted to enquire about the current debt on the books.

**Atul:** Gross debt is Rs. 201 crores.

**Atul:** Cash on our books is Rs. 49 crores, so net debt is Rs. 150 crores

**Anand:** This quarter we are seeing a substantial jump in debt.

**Punit:** Yes.

**Anand:** Are you seeing any further expansion plan or investment coming in?

**Punit:** Atul, can you give a broad breakup of what we have used the money for?

**Atul:** We have launched new channels and have made around 45 hours of programming acquisition in the South Indian languages. Film and program acquisition would account for almost 40% to 45% of the utilization of this money. Capex would account for 15% to 20% and then, there are trade advances.

**Anand:** And sir, what is the kind of losses that you incurred on your new businesses this year? And what is the expectation for FY10?

**R.K:** Losses on account of new business is Rs. 57 crores.

**Punit:** We are not giving guidance for next year.

**Anand:** Do you think, these losses are going to increase or will stabilize at these levels?

**Punit:** Well, we are working towards reducing them.

- Anand:** And are we going to launch the Malayalam Channel in FY10 or is it on the backburner?
- Boman:** It's on the drawing board right now. We will wait for the right time.
- Anand:** Thank you, sir.
- Moderator:** Thank you, Mr. Shah. The next question is from the line of Satyajit of Equity Master. Please go ahead.
- Satyajit:** Good evening, sir. Are there any other structural reasons besides the difference in markets regarding difference in advertisement and subscription revenue growth in national GECs and regional channels?
- Punit:** No, there is no other reason. They both are serving two different markets. One is a national service provider and the other is a regional and news service provider. On the subscription front also, hinterland growth is fueling more on the regional side. Therefore, giving them better traction than what is happening in Zee Entertainment.
- Satyajit:** The competition that we are facing in GEC space and obviously the regional space is also not without competition? It is just the market which is growing.
- Punit:** Well, most of our channels are competing and giving competition to the other people there. So, I don't think it is "apples-to-apples" to compare. Also, Zee Entertainment has a large portion of revenues from international, which Zee News Limited does not have. So I don't think Zee Entertainment and Zee News Limited are anywhere comparable in that manner.
- Satyajit:** Fair enough. Thank you so much.
- Moderator:** Thank you, Mr. Mishra. The next question is from the line of Arjun Khanna of Principal Mutual Fund. Please go ahead.
- Arjun:** Thank you, sir. I have a question on Zee Tamil. Is the distribution in place now?
- Boman:** Yes, we have distribution in place.
- Arjun:** Given that we have not seen much uptake in GRPs over the time span, what do you attribute that to? Would it be our content?
- Boman:** We launched Telugu which was our first channel in the South in the stronghold of Sun. We started slowly and then in three years' time, we became a very strong No. 2. Then we made a foray into Karnataka market, we launched Zee Kannada and over



the last two and half years, we have already marshaled about 11% to 12% channel share and we are a very strong No. 3 and maybe it is a matter of little bit more time where we will be a strong No. 2. Tamil, we are going through the same story. We will go slow. We are following the same strategy. We don't want to drain the network in any way because these are strong markets, they pay well, and they are steady markets. So shifts of viewers don't happen so quickly as you may find in the existing market. We are seeing the same story as we saw in Telugu as well as in Kannada.

**Arjun:** What about our Zee Kannada breakeven? Have you broken even as yet or would it be the first quarter?

**Boman:** We are very close to it.

**Arjun:** Sure. My second question would be in terms of DTH. What would our DTH subscription revenues be for Zee News as a company?

**Barun:** The percentage of subscription revenue to the total revenue is about 18% and out of that 37% is from DTH. This was about 24% last year.

**Arjun:** Thank you.

**Moderator:** Thank you, Mr. Khanna. The next question is from the line of Vikash of ICICI Securities. Please go ahead.

**Vikash:** If I were to take a long term perspective and then look at the Kannada market, we dipped about 200 to 240 GRPs and now we are at 140, 110. So is that a long-term trend or is it a deviation?

**Barun:** It's absolutely the same aberration that we saw in the Kolkata market.

**Vikash:** Okay sir, have you given the break-up of loans for the entire 200 crores or is it for the increment that has happened in this quarter?

**Atul:** No, we gave it for the entire.

**Vikash:** And how much would be our loans and advances to group companies?

**Atul:** There is a Rs.12 crores ICD outstanding to WWIL.

**Vikash:** Okay. Any significant movement in working capital?

**Atul:** Not really. Part of this, what I explained, is for working capital.

- Vikash:** Okay, so Rs. 90 crores is what you would have spent for movie rights alone.
- Atul:** Movie rights and programme acquisition put together.
- Vikash:** Fair enough, sir. Thank you.
- Moderator:** Thank you, Mr. Mantri. The next question is from the line of Vikash of B&K Securities. Please go ahead.
- Vikash:** Good afternoon, sir. Congratulations on good set of numbers. First of all, any specific reason for the increase in other income significantly as compared to previous quarter?
- R.K:** This is only a rearrangement that we have done. There is no significant increase in other income.
- Vikash:** We have shown a good subscription revenue growth. But at the same time, we have been facing problems in markets like Karnataka and West Bengal. Basically from where is the growth coming from in subscription revenue?
- Punit:** We are facing resistance for two channels and with a few operators and since the last two weeks. It's not a year-long phenomenon.
- Vikash:** Thank you sir.
- Moderator:** Thank you, Mr. Mantri. The next question is from the line of Nikhil Vora of IDFC SSKI. Please go ahead.
- Nikhil:** We have mentioned about the transfer of advertising from Zee Entertainment to Zee News. Did we earlier report our advertising income on a gross basis or net basis?
- Punit:** It was on gross basis but we used to take cost of selling separately.
- Nikhil:** What is our cost of debt considering the Rs. 9 crores payout on interest, it should be very high?
- Punit:** Finance cost also includes partly the one-time fees that we have paid to the bank for getting this loan.. It is not purely interest cost. It also includes one-time financial charges which will also be a good percentage of this. So we cannot really do a simple math on this.
- Nikhil:** That's it from my side. Thanks.
- Moderator:** Thank you, Mr. Vora. The next question is from the line of Mr. Amit Kumar of Kotak Securities. Please go ahead.

- Amit:** Sir, what are the components of other income this time?
- R.K:** There are some write-backs and interest income.
- Amit:** Okay sir. Thank you.
- Moderator:** Thank you, Mr. Kumar. The next question is from the line of Ashish of Share khan. Please go ahead.
- Ashish:** I wanted the figure of gross block as on 31<sup>st</sup> March 2009.
- R.K:** Around Rs. 97 crores.
- Ashish:** Sir, what is the strategy on Zee Tamil? Will you be cutting back on the spend that you had planned for this channel, considering the market conditions?
- Boman:** No, we need not cut back. Considering the opportunities, we will be prudent.
- Ashish:** Any one-time payment as far as carriage fees is concerned on solving the issues with Sumangali?
- Boman:** Carriage fees are there in every market, nothing special about Zee Tamil. It depends on the market forces and the subscription that can be collected.
- Punit:** Yes, we are paying carriage fees to Sumangali Cable.
- Ashish:** Okay, fine. What is film and programming rights amortization policy of the company?
- R.K:** Films are 20% each year over five years and programming is 60, 20, 20 over a period of three years.
- Ashish:** And sir, finally, what are the synergies that we are going to get through Akaash Bangla, the 26% stake that we have taken and what are the payment terms? Is it a lump sum payment that you have made?
- Barun:** There are two agreements; one is regarding the acquisition of 26% equity for which the amount estimated is between Rs. 15-20 crores but we are not going to pay upfront. The second is a Channel Management Agreement as per which we are going to run the channel and do their programming as well as advertising sales. To bring the channel to a breakeven level and make it a No. 2 or No. 3 player we will be investing in it over the next 14 months.
- Ashish:** And would we be getting some commission on that?

- Barun:** If you look at it, between these two agreements the real economic interest to us would be in excess of 90% because we would be earning commission on top line, we would be earning commission on cost incurred for programming and a share of profits
- Ashish:** Okay. Anything that you would like to share on the financials of that company?
- Barun:** We do not give channel-wise financials.
- Ashish:** Okay, fine. I will come back if I have any questions.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia of Centrum Broking. Please go ahead.
- Ankit:** Sir, in one of your remarks, you mentioned that we produced some movies for the Bangla and Marathi market. Are these movies produced by Zee Studios and Zee Entertainment or in the Zee News Company and then transferred?
- Punit:** No. We produced the films in Zee Entertainment Enterprises Limited and Zee News Limited has the option to buy the satellite rights
- Ankit Kedia:** Okay, thank you sir.
- Moderator:** Thank you. The next question is from the line of Ruchit Mehta of HSBC Asset Management. Please go ahead.
- Ruchit:** Have you been amortizing this year's spend on movies and programming or we shall be seeing a sharp jump in your depreciation cost going forward in fiscal 10?
- Punit:** The depreciation cost and program amortization are not linked to each other.
- Ruchit:** In terms of the movie cost, while amortizing, where do you account for it?
- Punit:** Programming cost.
- Ruchit:** Should that spike up significantly next year or you are already amortizing some of it this year as well?
- Punit:** As explained earlier, we amortize 20% each year for five years.
- Ruchit:** Okay, great. In terms of new businesses, you had initially guided a loss of around Rs. 70 odd crores. What is the target for FY 10?

**Boman:** As we mentioned, we have not yet worked out on that as yet. We will come to you later.

**Ruchit:** Okay, thank you.

**Moderator:** Thank you. The next question is from the line of Miten Lathia of HDFC Mutual Fund. Please go ahead.

**Miten:** Good afternoon, sir. On Zee Tamil from the time we launched till date, has there been a change of business plan or is it on track?

**Boman:** No, it is behind track.

**Miten:** Okay, sir my basic question is regarding the investment in programming and distribution?

**Punit:** There were distribution issues being faced. We actually prudently cut our programming and marketing cost as well. What is the point of putting a full-blown programming up there when people cannot see the channel at all? As Mr. Moradian said, even though we are behind track and therefore the time period to recover may be longer but we will be prudently managing our costs in a manner that the overall losses that we have projected as part of our plan to launch this channel will not be affected.

**Miten:** We should still work with the same number?

**Punit:** Yes, that is correct.

**Miten:** Okay, thanks a lot.

**Moderator:** Thank you, Mr. Lathia. The next question is from the line of Sadanand Shetty of Kotak Securities. Please go ahead.

**Sadanand:** For Zee Tamil, what is the original programming per day that we have currently vis-à-vis Sun TV?

**Boman:** It is about six hours.

**Sadanand:** How does this compare with Sun TV?

**Boman:** Sun subcontracts everything.

**Boman:** Almost 14 hours per day versus six hours only for us.

**Sadanand:** Okay and when do we think we will optimize the number of programming hours?

**Boman:** Why would we only look at number of hours? Optimizing would be when we can break even and our plan is to break even in

three years. We will stick to six hours per day so long as we break even.

**Sadanand:** Okay. That is a good point. In terms of reach, how do you compare our reach vis-à-vis Sun TV's reach?

**Boman:** Cumulative reach has already touched 80% plus.

**Sadanand:** So, in terms of reach we have optimized or closer to optimize?

**Boman:** We are very close to optimum.

**Sadanand:** Are we available on Sun DTH platform?

**Boman:** No, not yet.

**Boman:** It is a constant business process, Sadanand. We are negotiating and at some point in time you should see us up on Sun DTH also.

**Sadanand:** Thank you.

**Moderator:** Thank you, Mr. Shetty. The next question is from the line of Nikunj Doshi of Envision Capital. Please go ahead.

**Nikunj:** Good evening. Just wanted to understand the political advertisement we are seeing. How sure are we to recover our money from political parties?

**Barun:** We work on advance basis with political parties. Also, we work on a much higher ER with them because they come to us once in five years.

**Nikunj:** Okay. So, there is no likelihood of bad debt.

**Barun:** Absolutely not.

**Nikunj:** Okay, thanks.

**Moderator:** Thank you, Mr. Doshi. The next question is from the line of Kavita Pradeep Kumar of Standard Chartered. Please go ahead.

**Kavita:** Good evening, sir. I am sorry if I have missed out on the guidance on subscription growth. Can you please repeat it?

**Barun:** We have not yet given any distinct guidance as yet.

**Kavita:** All right. Thank you, sir.

**Moderator:** Thank you, Ms. Kumar. The next question is from the line of Sharad Todi of Edelweiss. Please go ahead.

- Sharad:** Just wanted to know the effective cost of debt for the company?
- Punit:** It is about 15%.
- Sharad:** Is it going to be sustainable for the next couple of years?
- Punit:** Well, that is what we are paying today and as and when we have opportunities with banks, we will re-negotiate it.
- Sharad Todi:** Fine, sir. I had just one question. Thank you very much.
- Moderator:** Thank you, Mr. Todi. The next question is a follow-up question from the line of Shubham of Macquarie Capital. Please go ahead.
- Shubham:** I just had one question on Kannada. You are now No. 3 and that is an improvement from the earlier numbers that you were doing three to six months back. What have led to the sort of increase here, if you could just lay out the strategy? And how is it going to be visible in terms of numbers? If you cannot give exact numbers, can you just give us a sense of how Kannada contributes to the overall portfolio in terms of financials?
- Punit:** Kannada is a substantial piece of revenue in the overall plan and as soon as we resolve the distribution issue, you should see a huge jump in the numbers.
- Nitin:** Kannada has grown from last year. There has been a good mix of reality show and programming and we are confident that this should make us clear No. 2 going forward.
- Shubham:** Sure. And I just had a small follow-up question on other sales and services line. Can you just take us through as what exactly happened last quarter and why is it down so much on a quarter-on-quarter basis from 7.7 crores to 2.8 crores?
- Nitin:** Last quarter, there was some syndication revenue from the South.
- Punit:** Basically there were some movie libraries that we sold in the Southern market. Therefore, you saw that spike which is a one-off.
- Shubham:** And any thoughts there in terms of programming cost, how that will continue to behave going forward as the percentage of revenues or what should be the quarterly run rate?
- Punit:** With our new channel launches coming in, programming cost will only keep increasing and also in our existing channels within the Southern market, we currently have not rolled out 100% of our content. So, as a function of number of hours of content, we will

keep increasing, costs will go up plus the incremental cost that will come from launches of new channels. We are going to launch another channel in Telugu called Zee Cinemalu this year. So, all these costs will definitely go up.

**Shubham:** Okay. I appreciate that. Could you just tell the number of original hours of programming?

**Boman:** In Kannada, it would be in the vicinity of 8 hours. Telugu would be in the vicinity of 9 hours per day. Competitor ETV would be about two to three hours more than us. Gemini and Udaya that is the Sun group would be in the vicinity of 14 hours per day.

**Shubham:** What would be the comparable number of hours of original programming on your bigger incumbent markets of Maharashtra and Bengal?

**Nitin:** Seven hours in Maharashtra and Bengal is eight and a half hours per day.

**Shubham Majumder:** Okay. Thank you, very much.

**Moderator:** Thank you, Mr. Majumder. Ladies and gentlemen, we will be taking one last question from the line of Mr. Ashish of Share khan. Please go ahead.

**Ashish:** How much have we spent on movie rights acquisition this year, FY09?

**Punit:** Well, as Atul mentioned earlier, almost 45% of our free cash has gone into it.

**Ashish:** Okay, thanks.

**Moderator:** Thank you, Mr. Urganlawar. Ladies and gentlemen, that is the last question of today. I would now like to hand the floor back to Mr. Tarun for his closing comments. Please go ahead, sir.

**Tarun:** Thank you all for joining us. We hope to have a transcript of the call very soon on our website. We will look forward to speak to you again at the end of the first quarter of the current fiscal or even earlier on a one-on-one basis. Thank you and have a great day.

**Moderator:** Thank you, gentlemen of the management. Ladies and gentlemen, on behalf of Zee News Limited, that concludes this conference call.

\*\*\*\*\*