



**Zee News Limited**  
**Quarter Four Financial Year 2010- Earnings Conference Call**  
*April 21 2010, 1500hrs IST*

**Moderator** Ladies and gentlemen welcome to the Zee News Limited Q4 FY10 results conference call. At this time, I would like to hand the conference over to Mr. Harsh Deep Chhabra of the Zee Group. Thank you and over to you Sir.

**Harsh Deep Chhabra** Ladies and gentlemen thank you for joining us today. This conference call has been organized to update our investors on the company's performance in the 4<sup>th</sup> Quarter of fiscal 2010 and to share with you the outlook of the management of Zee News Limited. We do hope that you have had a chance to go through the copies of the earnings release and the results, both of which are uploaded on our website, [www.zeenews.com](http://www.zeenews.com).

To discuss the results and performance joining me today is Mr. Punit Goenka - Director, Zee News Limited along with members of the senior management team of the company including Mr. Barun Das, the CEO and Mr. Dinesh Garg - VP, Finance.

We will start with a brief statement from Mr. Goenka on the 4<sup>th</sup> Quarter performance and then open the discussion for question 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 the risk that we face. I now request Mr. Goenka to address the audience. Over to you sir.

**Punit Goenka** Good afternoon ladies and gentlemen and thank you for joining us today to discuss the results of Zee News Limited for the quarter ended March 31<sup>st</sup> 2010. Zee News Limited is all set to embark on a new and promising trajectory after the de-merger of the company as formally concluded. Our aim is to consolidate our commanding position in the new genre and spread out our wings even further into regional and national arena. The company is uniquely poised to accrue benefits from the synergies possible for such an arrangement.



Focusing on the key financial of the 4<sup>th</sup> quarter of fiscal 2010, this is for the first time that we are announcing numbers post the de-merger of the regional entertainment business. The overall consolidated revenues for the quarter were Rs. 601 million. Within this advertising revenues stood at Rs. 417 million, while subscription revenues stood at Rs. 171 million. Operating profit for the quarter was Rs. 39 million despite the losses of Zee Tamil, Zee 24 Ghantalu and Zee News UP. The existing news operation comprising of Zee News, Zee Business, Zee 24 Taas and 24 Ghanta recorded a year-on-year growth of 30% in advertising revenue this quarter. On the cost front we largely remain in line with the trend last year. Cost containment initiatives continued, thus bringing in sustained operational efficiencies.

Moving to the highlights of individual channels found till the 4<sup>th</sup> Quarter of fiscal 2010, the flagship channel Zee News continued with a sensible news focus, thus gaining viewership share. The company's business news channel, Zee Business frequently emerged as India's number one business channel among various industries benchmarks and continued with its supremacy during the stock market bat. Zee 24 Taas leads the bat in Mumbai while our Bengali News Channel 24 Ghanta maintained undisputed leadership within its genre. Amongst the newly launched channels, Zee News U.P. has emerged a steady number one while Zee 24 Ghantalu has established its credentials as a serious news channel in the cluttered news market.

I would like to conclude by saying that our number one network status as well as the individual leadership positions of several of our channels will give us the competitive edge even as we plan our future road map. We will continue to be vigilant about our revenue compositions and cost efficiencies and look to using our operational advantages to the utmost. I would now like to open the floor for question and answers.

**Moderator**

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Abneesh Roy of Edelweiss Capital, please go ahead.

**Abneesh Roy**

My first question is on the ad front, we have seen a 30% growth in the existing four channels. Wanted to understand this better because I do not think the ad



industry has seen a 30% growth, so have we taken market share or has the news genre taken market share, if you could explain that part and in the Zee call, we got an industry growth of around 12-13% double digit growth, so what's the kind of growth news channels are expecting for FY11?

**Barun Das**

Quarterly growth has come from all the four channels equally filling the growth and the Zee News, the main channel also has grown significantly but growth was also propelled by the other three channels. As we have always said that Zee Business, Zee 24 Ghanta and Zee 24 Taas, they all have performed significantly better than last year in terms of their viewership share. So therefore they have also capitalized on that viewership share and leveraged from gaining advertising revenue. So overall all four channels have come up with growing advertising volume and that's how we have landed up with 30% growth.

**Abneesh Roy**

And recently our flagship channels market share has improved. So does that also tell us that revenues from that channel is going to be better or do you think it's too much dynamic in terms of that space, that it's difficult to really put a number?

**Barun Das**

We have not yet got that benefit earlier, usually it takes about a quarter or two, the increased viewership getting reflected in advertising volumes, but going forward obviously that will give us some traction, because that's a significant gain of market share that has happened in Zee News, and it has not yet been factored in.

**Abneesh Roy**

What kind of FY11 numbers should we expect?

**Barun Das**

We have not given any guidance for our company as yet but overall we would expect the industry to grow by about 12-14% level and it depends on our individual efficiencies and visions and client driven approach to maximize our growth.

**Abneesh Roy**

My last question will be on your subscription front 17 crores you have seen in this quarter, we are seeing that Hindi GECs are seeing very good DTH driven growth while maybe the RGECS are not seeing that kind of growth. So even in the news space do you think that the DTH subscription growth will lag in the Hindi GECs?

- Barun Das** In terms of percentage they may not lag but overall, obviously if we need to go by the absolute volume there will be lower than GECs, but in terms of percentage they would not lag much because two of our channels are national channels and they are on most of the DTH platforms, so it may not be as much as the GECs who were right up in the popularity scale but definitely we would continue to grow in DTH front.
- Abneesh Roy** On the employee cost I see that the cost are almost flat YOY which is surprising because if RGCs have gone away, your cost of goods is down by 21%, other expenses down by 35%, why is the employee cost flat?
- Barun Das** You know we have provisioned for some one time incentive pay out in this quarter.
- Punit Goenka** In Zee's case unlike getting apportioned over the four quarters, it's again come only in the 4<sup>th</sup> Quarter, but going forward year-to-year number should be consistent.
- Abneesh Roy** Just one question on this front, media inflation in salaries, last one year was quite good for media companies the salary inflation was not there. So where do you see this year in terms of salary inflation?
- Punit Goenka** I think that is anywhere between 10-14% growth in salary levels.
- Barun Das** But Abneesh just one more thing about your question on the YOY front, we did not have some of the regional news channels last year, so we have actually two additional channels U.P. and Ghanta in this year.
- Abneesh Roy** Okay thanks a lot.
- Moderator** Thank you Mr. Roy. Our next question is from the line of Grishma Shah of Envision. Please go ahead.
- Grishma Shah** What is the network of this company post the de-merger net worth?
- Punit Goenka** Just one second, if there are other questions you can take that first.

- Grishma Shah** Yeah and also if you could throw some light on how the cash flows would be now for the company post the de-merger. We have seen a history which has not been very good on terms of operating cash flow, so if you could also give us some sense on how the operating cash flow now for the new entity would do?
- Barun Das** Yeah the operating cash flow, we do not see any problem going forward, if you see that this quarter we have been EBITDA positive and there is no major investment envisaged in this year. I do not think there would be an issue on operating cash flow.
- Grishma Shah** So we would probably shift into the positive territory for the cash flows on the operational front at least.
- Barun Das** Yeah.
- Grishma Shah** Okay and the debt in the cash levels in the company.
- Speaker 1** Yeah coming to your question on net worth, post de-merger is 162 crores.
- Grishma Shah** Okay and debt?
- Speaker 1** Debt is 168 crores.
- Grishma Shah** And cash?
- Speaker 1** It's roughly around 8.5 crores.
- Grishma Shah** Okay fine thanks so much.
- Moderator** Thank you Ms. Shah. Our next question is from the line of Rohit Dokania of B&K Securities. Please go ahead.
- Rohit Dokania** What is the debt figure again, 168 crores?
- Speaker 1** Right.
- Rohit Dokania** When are we supposed to have a left over debt of 80 crores once the RGECs were transferred?

- Barun Das** Net debt is to the tune of 70 crores, yeah that's the gross debt figure 168 crores.
- Rohit Dokania** So cash is about 85 crores, is that the right figure?
- Barun Das** Cash is not 85 crores but we will be sharing those details along with our annual reports but they are interest earning instruments as well as some loans.
- Rohit Dokania** If you could just give the head line numbers of the balance sheet that would be great, for example, the gross block and the kind of current assets and loans and advances that are there for FY10?
- Speaker 1** Well, we will share it separately on a one-on-one basis.
- Rohit Dokania** Okay that would be fine sir. Also just wanted to understand, in the fourth quarter itself, if you look at the quarter-on-quarter depreciation cost, it's about just from 2.8 crores it gone to just 2.2 crores, despite the fact that this six RGCs have moved out. So is it fair to assume that most of the CAPEX that was done was on the news channels rather the RGCs?
- Barun Das** Absolutely, plus you have those 2 new regional news channels as I just mentioned we did not have these two regional news channels in the last year. Quarter-on-quarter yes, the most of the CAPEX are primarily deployed for news operations, for GEC operations you hardly any significant CAPEX.
- Rohit Dokania** Okay and last question regarding the Other Income also, last quarter was 4.7 crores, this quarter it's around 3.7 crores. So what explains this kind of high Other Income on the news channels?
- Barun Das** The other income is primarily accruing from the interest income which we just mentioned that there is interest bearing investments made from that.
- Rohit Dokania** Could you throw some light because having a debt of 168 crores and then you are saying a net debt of 80 crores, because it is very difficult for us to understand?
- Barun Das** As we said that we will take it on one-on-one, this balance sheet related queries details.



- Rohit Dokania** Okay not problem, thanks a lot.
- Moderator** Thank you. Our next question is from the line of Ritesh Poladia of Dolat Capital. Please go ahead.
- Ritesh Poladia** Can we have to bifurcation of 39 million EBITDA into profit making and loss making channels?
- Barun Das** No, we are not going to share those bifurcations going forward, but all the newly launched channels, whatever indication and projections we have given earlier, in fact, are doing better than that.
- Ritesh Poladia** Okay and in the analyst meet you had said that new plans would be discussed once the de-merger process is over. So by what time can we expect some announcements from Zee News?
- Barun Das** Today we had our board meeting and our decision is that for the next two quarters our focus would be on consolidation for the current operations, so we do not have any immediate plan to share with you on our expansion.
- Ritesh Poladia** Any new channels to be launched?
- Barun Das** As we said that for the next two quarters, as of now, we do not have any plans.
- Ritesh Poladia** Thank you very much sir.
- Moderator** Thank you. Our next question is from the line of Amit Kumar of Kotak. Please go ahead.
- Amit Kumar** Could you give a very broad colour on how the competitive intensity in your different channels/ markets are panning out and given the cluttered market already, are you expecting any sort of new competition, new channels to also come in?
- Barun Das** I think what happening in news genre on an overall basis is that the fragmentation has led to no increase of ER and with so many news channels coming in, profitability for most of the channels are not there as yet. So basically

where we stand apart and where we score higher than most of the news operations is the leverage which we draw out of our networks strength and going forward in terms of new launches we do not see much coming up the national level, but various regional markets may keep seeing some new launches going forward.

- Amit Kumar** Okay fine, thank you sir.
- Moderator** Thank you Mr. Kumar. Our next question is from the line of Gaurav Sud of Kanav Capital. Please go ahead.
- Gaurav Sud** In your press release you have shown that your employee costs are 19.5 crores this year vis-à-vis 20 crores last year. So that means that it's at the same level, so what happened to the employees that went away with the de-merger?
- Punit Goenka** As we said earlier, there is a element of bonus which has been accounted for in this quarter for the full year and to two new channels that have got added which were not there in the last year. So that has taken the number up.
- Gaurav Sud** Okay so it's almost equivalent to the last year. So there is a bonus element to it.
- Punit Goenka** Correct, normally we would apportion the bonus on every quarter-wise basis, this year been abrasion dint get done, so we have taken it all in the 4<sup>th</sup> Quarter. Next year onwards again you can expect that it will be quarterly apportioned.
- Gaurav Sud** Do you have an idea what kind of EBITDA levels we are going to hit in the operations or is it too early to decide on that?
- Punit Goenka** Definitely we will be profitable in operations and the other things that we will know as time passes. Definitely things will be improved from here on.
- Gaurav Sud** So EBITDA margins will improve from these levels going forward?
- Punit Goenka** Yes.
- Gaurav Sud** Okay that's it, thank you.

- Moderator** Thank you Mr. Sud. Our next question is from the line of Miten Lathia of HDFC Mutual Fund. Please go ahead.
- Miten Lathia** Just to clarify one thing, the new business losses are 46 crores for the full year and they were 31 crores for the nine month period. Does that mean that Q4 was 15 crores residual or that is not the correct way of looking at it?
- Barun Das** No you cannot. Those new business and all groupings would have changed so I do not think you can compare it with last year.
- Miten Lathia** 15 crores is the Q4 loss on the three new news channels, UP, Telugu and ....
- Barun Das** No cannot be. What you are seeing last year was a different grouping of new business.
- Miten Lathia** No not last year, for the whole of FY10. If I go to the financial release, and the 46.18 crores number that is there for the fiscal year 2010 versus the nine month number of 31 crores, which was there for the whole entity, so that should add up isn't it.
- Barun Das** No you cannot because the way we have grouped our new businesses earlier, you also had some of the channels which were making profit. For instance Zee Telugu despite breaking even about a year back, it was still grouped under new businesses, even in the nine month number, so therefore, you cannot compare that way.
- Miten Lathia** Would it be possible for us to quantify what that number would be on a Q4 number at least which is after the de-merger?
- Barun Das** We are not giving that detail. Going forward also we possibly are not going to break it up that way because now with limited number of channels that will be too much of an information for anybody to deduce channel-wise detail. So that details would not be there, but as we said sometime back that while we launched these channels, we have indication of how the losses would be going forward, and we are well within that, in fact we are doing better than that.



- Miten Lathia**                   What is the reasonable time frame for the newer launches to hit the same level of operating profitability of the existing channels or that is not possible simply because opportunities sizes are very different?
- Barun Das**                     Absolutely right but normally we target between 24-36 months of breakeven for any new launch.
- Miten Lathia**                   So you are not expecting the three new channels to hit breakeven any time before end of FY12?
- Barun Das**                     As I said that was our original planning, some of our channels are performing better, so we may have some of the channels breaking even earlier than we had budgeted it for.
- Miten Lathia**                   I could not gather how the net interest cost is negligible or not there in spite of their being net debt on the balance sheet of about 80 crores in Q4? I could not figure that out.
- Barun Das**                     That's because the differential interest that we are earning maybe higher.
- Miten Lathia**                   Okay the yield on the assets is much higher than what you are paying on the interest?
- Barun Das**                     Yeah that's right.
- Miten Lathia**                   Okay thanks Barun.
- Moderator**                    Thank you Mr. Lathia. We have a follow-up question from the line of Gaurav Sud of Kanav Capital.
- Gaurav Sud**                    Yesterday Zee Entertainment also announced their results and since the earlier share holders are getting shares in Zee Entertainment, would the dividend that is announced yesterday by Zee Entertainment that will accrue to the erstwhile share holders of Zee News?
- Punit Goenka**                  Yes it will.

- Gaurav Sud** When are those shares going to be credited in the trading accounts, in the DEMAT accounts?
- Speaker** Record date has been 16<sup>th</sup> of April, accordingly it will be considered.
- Punit Goenka** But yeah by end of the month it should be done.
- Gaurav Sud** Okay yeah thanks.
- Moderator** Thank you Mr. Sud. I would now like to hand the call back to Mr. Chhabra for closing remarks.
- Harsh Deep Chhabra** Ladies and gentlemen thank you for joining us. We hope to have a transcript of the call on our website [www.zeenews.com](http://www.zeenews.com) soon. We look forward to speaking to you at the end of the 1<sup>st</sup> Quarter of fiscal 2011 or even earlier on a one-on-one basis, thank you and have a good day.
- Moderator** Ladies and gentlemen on behalf of Zee New Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

\* This document has been suitably edited for ease of reading