



ZEE MEDIA CORPORATION LIMITED
Q2 FY19 EARNINGS CONFERENCE CALL
October 17, 2018

Management

Mr. Ashok Venkatramani – Managing Director

Mr. Sumit Kapoor – Chief Financial Officer

Moderator

Ladies and gentlemen, good day and welcome to Zee Media Corporation Ltd. Q2, FY'19 earnings conference call hosted by Prabhudas Lilladhar Pvt. Ltd. As a reminder all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Jinesh Joshi from Prabhudas Lilladhar Privated Limited. Thank you and over to you Mr. Joshi.

Mr. Jinesh Joshi – Prabhudas Lilladhar Private Ltd.

Thank you. On behalf of Prabhudas Lilladhar, I welcome you all to the Q2 FY'19 results conference call of Zee Media Limited. We have with us the management represented by Mr. Ashok Venkatramani, MD and Mr. Sumit Kapoor, CFO. I now hand over the mic to the management for the opening remarks post which we can open the floor for Q&A. Thank you and over to you, sir.

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

Good morning everyone. My name is Ashok Venkatramani, I am the managing director of Zee Media Corporation Ltd. and along with me on the call is Sumit Kapoor, our CFO. I just thought that as opening comments I would just give you a quick update of who we are and what do we do. So we basically are Zee Media Corporation Ltd., part of the Essel Group. We are in the business of predominantly news and are present in the space of television news and digital. Under television news we have got about 14 news channels and we operate in the space of English news, Hindi news, regional language news and we have got news channels covering the states of Punjab, Haryana, Himachal, Uttar Pradesh, Uttarakhand, Rajasthan, Gujarat, Madhya Pradesh, Chhattisgarh, West Bengal, Orissa and Maharashtra. So we pretty much cover what the media call as the Hindi speaking markets. We also have got a business channel called Zee Business. And we of course have got a string of websites and digital products under the digital business. That is really in a nutshell as to who we are. I think the results have already been released so I would like to now stop here and open the floor for discussions.

Mr. Mayur Gathani – OHM Portfolio

Hi, good morning everyone, I just wanted an update on what is happening in the radio business, I mean on this acquisition that we have planned?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

That is not progressed; for a long period it was awaiting clearance from Ministry of Information and Broadcasting and the Home Ministry which had to be obtained and so because the period for which the clearance was expected kind of exceeded the initial MoU, so there has been no progress on that.

Mr. Mayur Gathani – OHM Portfolio

So are we on with it or it is called off, where do we stand?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

Well you can say technically it is called off because there is no progress.

Mr. Mayur Gathani – OHM Portfolio

Okay fair, and so are we looking at some other players because that is the only, radio thing that is missing in our entire group.

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

Yes; we have been in the past as well for the right assets. But, nothing concrete at this stage.

Mr. Mayur Gathani – OHM Portfolio

Okay and how is the advertisement growth? You have shown 35% growth, so what is the expectation in the coming quarters for advertisement?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

The growth has been good as you can see and we have been maintaining it for the Q2 in a row. Predominantly driven by growth both on advertising revenues on the national channels as also the regional channels. Clearly the regional growths have been faster than the national growth. So I think the regional portfolio has grown at almost 44% and the National portfolio has grown by around 29%, both of which are good numbers. During last one year, we have launched about three news channels; Zee Kalak, which is a Gujarati News Channel, Zee Uttar Pradesh – Uttarakhand based in for the U.P. – U.K. market and the Zee Salam, which is actually an Urdu channel cutting across the country. All these three channels have actually started firing, in fact the Urdu channel

in 6 months have actually overtaken DD Urdu as the number one Urdu channel in the country in terms of the time spent by the viewer. Zee U.P- U.K has already reached number 2/3 position on Time Spent which is an indicator of its strength and relevance; we still haven't fully completed our distribution roll out in these three new regional markets. When we do that I expect Zee UP-UK and Zee Kalak also to fire. The regional portfolio is also being driven by the heightened activity in the Hindi speaking market as you know we have got three state elections coming up which is Chhattisgarh, Madhya Pradesh and Rajasthan in the next couple of months or so and we have seen in the past that during elections, whether it is state or general elections, there is heightened activity for media and especially so as we are a very politically active country in general and there is usually an increase in the activity in terms of viewership moving from other genres to the News television during election.

We also see a heightened activity in terms of the programming; we do a lot of programming, a lot of reporting, viewership goes up and hence the revenue goes up, because we have obviously monetised election programming at prices which are significantly higher than the normal pricing, so that is one part. The second part of course is that we are just stepping into the festival season and over the next month and half or so it is supposed to be usually good period when advertising goes up significantly and yields also grow up significantly. So I expect the coming quarters to be good. The countdown for the general elections have also begun; it is expected sometime in the first half of next year and so, it shall be a good period for news channels in general. So I expect the next few quarters to be good for us.

Mr. Mayur Gathani – OHM Portfolio

Okay. So you said regional group 45% and national was 29%. Correct?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

Yes 44 and 29 that is the number.

Mr. Mayur Gathani – OHM Portfolio

And you just got four more licences for news channels so, I mean you got for Bengali, Hindi, Tamil, so you would be launching these channels soon.

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

We are exploring actually. All these are sort of, we will take a call based on potential as well as you know what kind of opportunity we can look at, which can synergistically work for the larger portfolio.

Mr. Mayur Gathani – OHM Portfolio

But first you already had a Bengali channel as well as a Marathi channel right?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

We have.

Mr. Mayur Gathani – OHM Portfolio

Yeah so you may possibly look at having a second channel as well in those regions?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

No.

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Mayur just to add here, as we have discussed in past as well, if you look at our coverage from a Zee Media perspective and if I take you through the entire map of India right from the state of Jammu and Kashmir, till say Mumbai on the western side, till Orissa on the eastern side and till Madhya Pradesh and Chhattisgarh in the central part of India, we are practically covering the entire market. It is only the South region which probably we have not explored into and as we have discussed in past also, there are reasons why we are not really kind of going ahead on that market. The four licenses are the ones that we applied for way back in the past and we have got these licenses almost after 3 years. However, having these licenses, now, with us shall not necessarily mean a launch; we will have to explore how to go about it. We definitely keep exploring business but at this stage we don't have a concrete plan to launch.

And addressing your answer of 'Chaubees Ghanta' (24hrs), which we already have in Bengal market, I think there certain areas which we may or may not like to explore through our existing channel platforms itself, such as accessing north eastern markets through 'Chaubees Ghanta' (24hrs) or maybe through our national channel platforms.

Mr. Agastya Dave – CAO Capital

Sir I'm pretty new to your company and I have not studied the sector in India either. So my questions are very basic and I have three questions. First if you could take me through your costs and the way you are describing the opportunity over the short-term where leading up to the elections you will see a very decent growth. How will your costs increase? Do you need to do more OPEX level investments? Second which is kind of a basic question, over the short-term which I would say is in way of 2019 and then over the long term which I am saying is three years, can you also describe the amount of investments you need to do anyways, again on your P&L and also on the balance sheet.

And my third question is that you said you have 14 channels and you have a digital business, I believe the 14th channel is your international offering which is not breaking even. So if you can split those 14 channels into loss-making channels and loss-making properties versus the profit-making properties what is the total EBITDA level loss that you are sustaining in those? And what is the cross EBITDA level profits you are sustaining on the profitable properties? And also if you can share the figures on the PAT level. Thank you very much sir.

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Hi Agastya, this is Sumit Kapoor. Let me just take you through the points that you have raised with regards to the cost structures and the investments, first, in the business. When we talk about the cost structures and the rising costs that you are talking about, broadly if you look at the cost structure, the cost in recent past has grown mainly because of two factors viz. launch of new channels and partly due to the impact of normal inflation. While inflationary measures are normally captured as a part of our plans too, Zee Media is committed to work towards the principle of cost optimization from the perspective of maintaining strength in its operating margins. Further, as an initiative to bring in higher level of integration in the business, we have set up an integrated multimedia newsroom which shall focus on integration of the news aggregation for all 14 channels and shall help towards noticeably optimising the cost of new aggregation over next 1-2 years. This is one of the few initiatives that we have taken in Zee Media and are working towards strengthening the same, while we work towards building upon other areas of optimization.

On the investment side, this is a business which is based on two key pillars, which are content and technology. Both these elements require investments in terms of keeping it relevant; while investment in content is an ongoing process, we have invested in technology over last one year to strengthen our portfolio and have made decent progress in this direction. The investments hereon are mostly strategic in nature and are being planned towards building up a platform which hopefully will take us through for the next 2-3 years. Thereafter it will be regular maintenance/replacement CAPEX, that any business will require to incur. The same can be envisaged to be in the range of say Rs. 20-25 crores.

With respect to the channels achieving break even, I would like to share with you that at present, all our national channels and our regional channels are EBITDA positive and it is only the three new regional channels and WION which are not EBITDA positive. However, a very relevant point to mention here is that the three regional channels were launched at different points of time, starting July 2017, during last financial year only. Out of these three new channels, Zee Salam could achieve break even at operational level in FY 17-18 as well. Further, Zee UP-UK which got launched in January 2018 has already become a prominent player in terms of the average time spent by the viewer on

this channel and we are very much hopeful that these channels shall become self sustaining in short term.

For WION, we have articulated a strategy to take it to global level; the same is being executed in phases and we believe that will all the plans been rolled out effectively, WION shall be able to reach an EBIDTA neutral stage in next 18-24 months. This is also because the channel shall be consistently adding to its portfolio new regions it shall be entering over next 12 months and thus, the above timelines seem reasonable. Also if we were to do an Apple to Apple comparison between the state at which it was launched and the current state of the same business today, it has gained noticeable traction in terms of relevance with the audience. With increase in the global footprint, the channel is expected to gain more in terms of the potential to earn revenue as well as a higher and focussed reach.

Mr. Deepan Mehta – Elixir Equities Private Ltd.

Yes, sir congratulations on good set of numbers. My question is regarding the competitive intensity and where we understand the competition for the national channels, can you give an overview of the competitors' competition in the regional channels?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

Actually the competition is very localised so if I were to pick up one competitor who competes with us in more than one regional market, it would be from the Network 18 group which is also present in most of the regional geographies where we are there. Other than that the nearest competitor is an actually a different player in different market. There is no one consistent player which you can say is there across other than Network 18. And they are all like localised competition.

Mr. Deepen Mehta – Elixir Equities Private Ltd.

Okay and broadly would you say that in the regional channel you are the market leader because that data is not easily available, nor has it been presented in your....

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

So, it actually varies from market to market; let me give you a perspective, if you really see our current position, we are probably number one or a close a number two in most markets. So, let me go market to market just to give you a flavour, if you take West Bengal the market leader is ABP Ananda and we are number two at 'Chaubees Ghanta' (24 hrs). If you take Maharashtra, we are again number two with 'Chaubees Taas'. If you take Madhya Pradesh and Chhattisgarh we are actually number one. If you take Uttar Pradesh which is a new market where we have just launched we have gained significantly in terms of our ATSV. Similar is the case with some of our other regional channels; a

further optimization on the distribution side for these regional channels shall take them to number one levels. If you take Bihar-Jharkhand, I am already a number one, if you take a Rajasthan I am actually a close number two, if you take Punjab-Haryana we are actually a close number two and we have not even distributed in more than half the state we still have a lot of distribution work to do but on Time spent we have already reached number one. If I were to take us as a regional group, and if I were to take the other strong regional groups cutting across multiple region, such as Network 18, I am a leader, ahead of Network 18 in the regions where they operate and I also operate.

Mr. Deepen Mehta – Elixir Equities Private Ltd.

And one last question sir do you see launch of new channel in the last 2 to 3 years which compete with you or have you heard of plans of any new channels being launched which will act as future competition for you or is it is now extremely difficult to launch a news channel in a viable environment?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

The point to be noted here is the way the news space operates, there is money to be made if you are a number one or a number two; after that it actually becomes very difficult for any player to build a sustainable model. Our endeavour in all the geographies that we go is how do we quickly get to a number one or number two position at best and stay there okay and maintain a consistent position there. In most markets, regional markets you see there are on an average 3-4 players and the third, fourth or fifth players which you may find are invariably local players who are there in the market not so much for economic reasons but more for political reasons, because you know they have either been backed by some local politician or they have some local vested interest. So the real serious players which as you will understand are news companies or people who are long-term in the news space. So the way the markets have evolved over time, 3-4 players is a reasonable number in any market; beyond that it just becomes unsustainable.

Do I see more players coming into these markets? In long run the answer is no. What however does happen often and we have seen that in the last general elections that just before the general elections there are a few players who come in usually as new channels backed by local politicians; they come and they stay for 6 to 9 months and then they disappear. So they are these fly by night operators who just launch a channel to use the platform to propagate their political messages and ideology. They are not serious news players and should not be seen as any major threat in terms of competition coming in the news space, especially the regional news space in the medium term or even in the short term for that matter.

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Just to add a couple of points over here in response to your query on competition in the regional market and as Ashok has rightly pointed out on the competition and the nature

of competition, there are 3-4 things that we have already built in as a strong DNA in our overall group. The first point is that if you ask about the performance of our channels, not only are we number one or number two in many of the markets, the strength comes out from a fact like Zee Madhya Pradesh and Chhattisgarh being the only channel after AajTak that has enjoyed the privilege of being number one for more than hundred consecutive weeks. Secondly Bihar-Jharkhand has been number one in terms of its average time a viewer is spending on its platform for eight consecutive quarters. Chaubees Ghanta has been a very strong business in terms of getting us margins of 45 to 50% at the operating profit level. So these are all depictions of the strength these channels enjoy which are further backed by a centralised distribution of these channels which helps us in optimising the cost structures. The setting up of IMN which we were just discussing from a perspective of integration of a news aggregation model, are further steps from our side to ensure that there is a check on the cost of operations for these channels so these channels remain competitive even in the lean season of business and rather than being influenced by a competition, they are the ones who are actually trying to generate extra competition for the people already working out of those respective regions plus you can see some mushrooming of regional channels during election time and so on and so forth but that Ashok has rightly pointed out, they are coming from a different intent or a background and that is not where we are working towards. We as a group or as an entity we have always focused on a P&L-based approach wherein we should be sure that there has to be return coming out of business rather than only existence in the respective market. So I think that gives you additional points to probably help the way we are operating in the regional markets.

Mr. Dhires Pathak – Goldman Sachs

In the legacy channels you know ones which have been profitable and contributes the most, what is the inventory utilisation?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

So inventory utilisation typically varies from within a year. We average about anywhere between 18 to 20 min. However, during the lean season and usually June, July, August is the lean season when monsoon picks up, that is when advertising goes down. It typically falls by one or 2 min per hour and during the peak season which is usually September, October, November which is really the festival period when advertising levels go up. The numbers can go up by a couple of minutes per hour but I would say if you take the overall annual average it varies anywhere between 18 minutes to 21-22 minutes per hour, that is the range.

Mr. Dhires Pathak – Goldman Sachs

So assuming that you will not go beyond that then further increases will come from legacy side will come from yield increases? And how is that....?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

That is right.

Mr. Dhires Pathak – Goldman Sachs

And how does it compare like in the first half on the legacy stations, how has been the yield increase?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Coming back to your earlier question, it is not purely a function of rates alone; as Ashok mentioned that we have a 18- 20 minute level of inventory that we work on, what is to also be seen is as to what all slots do we have inventories still available in terms of the percentage utilization. While prime time slots may always enjoy a high level of utilization, slots other than prime time, on certain days, still offer scope for us to increase our fill rate. This will add to the revenues to certain extent coupled with increase in the ER; just to share the potential of increase in ER with you, Zee News has already enjoyed an over 25% hike in terms of its ER or we would say more than that because Zee News was approximately at about Rs. 1800 in December '16 - January '17, currently we are at almost about Rs. 3300 in terms of ER. And similarly in terms of all the other national channel platforms we are improving our yields and so are we doing in regional channels, which is actually firing up our growth across platforms rather than only Zee News or Chaubees Ghanta or Chaubees Taas which have always been the pillars for company's performance.

Mr. Dhires Pathak – Goldman Sachs

So if you were to just give a sense of the revenue growth advertisement revenue growth that came this quarter on the first half, how much would be from yield increase?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

For Zee News, the yield increase has been a noticeable contributor with yield going up by over 25%. In case of regional channels, it is the yield along with an increase in the inventory utilization that has contributed to the growth of revenue. The regional channels have experienced a noticeable growth in inventory utilization, as against earlier levels, and similar pattern has been observed in case of national channels viz. Zee Salaam and Zee Hindustan.

The increase in inventory utilization has also come on the back of increasing relevance and therefore, recognition for these channels, because of the consistency in their performance and the leading positions maintained by the channels in their respective markets.

Thirdly, the company has been consistently evaluating the industry segments from where it is generating business (over last couple of years) and churning clients across different segments to maintain relevance of business and ensure continuity of business as well as maintain exposure to industries that have the potential to grow, thereby safeguarding the potential future revenue. This way, in current times, we hold a very diversified portfolio in terms of the clientele list that we have, and we also are kind of working across industries while ensuring that no one industry contributes significantly to the revenue of ZMCL. We have relationship with FMCG companies, automobiles sector, BFSIs, education, online apps and various other industries that have different business cycles and growth potential of their own. Government also play a key role in terms of regional markets and government revenues are also kind of scaling up because of elections and increasing performance of channels in respective markets. So it is a mix of diversified portfolio in terms of the industry which has contributed to this increase in the overall revenue and we have on a quarterly basis, reviewed to with our sales team in terms of the portfolio as to what industries we need to churn out of the portfolio; like in the past; real estate was one where in lot of media players were operating in terms of barter deals or other deals. However, we took a call to gradually lower our exposure on the real estate side and move into other segments which could service our revenue side of the business. BFSI for example could be a very relevant category for Zee Business but now they are also coming on the regional channels from the perspective of a localised and a regional reach for their business.

Mr. Dhires Pathak – Goldman Sachs

And as you said U.P. and Punjab-Haryana you need to do more distribution. So how will that increase in the next one year?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

They are already placed in the respective markets, it is couple of markets wherein we keep evaluating whether they can benefit out of additional exposure and if the answer is yes, then we approach accordingly. For example, DEN is the most relevant network in terms of MSO in UP-UK and we are on it, but we may like to do a cost benefit analysis of small cable operators.

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

What also happens is that distribution as you know is a deal which has to be negotiated with cable operators. So often what happens is the cable operators, they will start with some quote of X and we will quote some Y and then, finally, we would meet somewhere halfway. So in terms of the markets, if you take Haryana we are pretty much covered, Himachal we are more or less covered, Punjab we have some way to go. I would expect that would probably be an implication of another 2-3 odd crores in Punjab where we may have to pay. As far U.P.- U. K is concerned the key issue which you see in U.P – U.K

is that there is a fair amount of U.P which is rural and right now large part of that rural market is covered through DD Free Dish; however, we have currently chosen not to go because DD Free Dish for regional markets as the same may not be that viable for a regional channel.

Mr. Dhires Pathak – Goldman Sachs

So we are not on DD Free Dish right now?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

We are not on DD Free Dish as that's. expensive for regional channels.

Mr. Dhires Pathak – Goldman Sachs

Okay, and last question the balance sheet shows 436 crores of this preference share investment in Diligent Media. So what is that? Is it about to come back in sometime? What is it?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

It is a 20 year instrument which is in the form of an investment in Diligent Media and Diligent Media, now being a separate company, is independent of Zee Media in terms of its operation and in terms of its legal status. They are already working on revamping of their operations with a strategy being given shape by its management for a period of next 2-3 years. A detailed strategy has been worked out by the core management of the company and they are also trying to make inroads into the current market of election era wherein they are also getting tractions in terms of receiving EOIs from the government departments for potential business because they have a very relevant presence in the markets of Mumbai, in the regional markets of Gujarat and in the regional markets of Jaipur where they have achieved breakeven in past as well. Also have a presence in Delhi which is the political market of the country, so from that perspective and the scale of operations they are trying to take themselves to over next 6-9 months, they are expected to gain additional traction for their business. Additionally, we are already in touch with them to understand their business especially in terms of our investment.

Mr. Dhires Pathak – Goldman Sachs

So you get a yearly coupon on this or is it a bullet payment at the end, what is it?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd

It is a preference share. It is not a debt instrument, so no interest.

Mr. Dhires Pathak – Goldman Sachs

So as and when they are able to declare a dividend, they declare. But there is no set coupon on the preference share, right?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd

Yes, it's a dividend.

Mr. Dhires Pathak – Goldman Sachs

Okay and it gets redeemed after 20 years from today?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd

20 years is from the date of the subscription.

Mr. Rakesh Jain – ACM Investment

Hi, congratulations on a good set of numbers. So my first question is with regards to the Aakash, the post-induction and hundred percent subsidiary, how has been the performance in the first half? And what sort of margins are we doing right now?

Mr. Sumit Kapoor – CFO, ZeeMedia Corporation Ltd.

As we have discussed earlier also that Aakash is holding on to its performance level with EBITDA margin in the range of 45 to 50%. Nowhere has that been influenced by any change in their ownership structure. In fact they are becoming more and more relevant for ZMCL and vice versa with both the companies now sharing common business areas and strong in their relevant markets, thus complementing each other across locations. ZANPL still enjoys similar level of confidence in the market and it is able to kind of drive its operational framework very well, the way it was driving earlier. What now they are likely to get benefited out of is that we will have more synergies basically with the channel because now it is a 100% subsidiary. So earlier we had to do a lot of things in discussion with our partner which now we are able to kind of work upon jointly in terms of the way we work through our strategy for the group. So whatever benefit we have in terms of the group structure will be shared with the Zee Akash entity.

Mr. Rakesh Jain – ACM Investment

So for the first half, how much revenue have they done?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Zee Akash has maintained its top line growth momentum and is kind of growing at about 10% rate on a quarter on quarter basis, that is one. And in terms of their EBITDA, it is operating with an average margin of approx. 50% in the H1.

Mr. Rakesh Jain – ACM Investment

The second question is you know, the effective ad rates are moving up as the election is onset. So you know what is the difference are you seeing compared to the previous elections when you see the effective ad rates moving across the board whether it is national or regional channels and is there a more improvement or is there any change in strategy vis-à-vis the election which happened in 2014 compared to now and how do you plan to leverage this time?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

So the strategy with regards to election era is also a function of the kind of government policy that one envisages with regards to the nation as a whole and that is where you have to device your strategy as to how you go about it in terms of capturing the impact of election on your business. When we talk about in terms of ZMCL, answering your first question first, the benefit of these elections at the state level will definitely go to the respective regional channels for sure because they are the ones which are present locally in the regional market. None the less the national channels are also going to get benefitted because these states in which we have these elections over the next 2-3 months which is M.P, Chattisgarh, Rajasthan, by virtue of their size and by virtue of the relevance they hold from the perspective of the Lok Sabha and the Rajya Sabha as bodies or as I would say as the core network or set up of countries operational framework.

These channels are also going to draw the benefits for our national channels as well and regional definitely have already started experience of the impact of the elections, which are now scheduled for the month of September. Primarily in terms of our strategy, it is something that we have already formed respective teams at various channel levels, be it regional channel levels at national channel level, there is a table of events that have been decided, there is a table of activities which have been defined by the respective editor which they have already worked upon with their respective teams on which they have engaged all the related platforms, be it the technology side, be it our integrated multimedia newsroom. And all these people are going together to the respective markets to provide an extensive coverage as well as to ensure that all the relevant aspects of these markets during the elections and post elections are very well taken care of.

Mr. Rakesh Jain – ACM Investment

So by what percentage you know and what level are you going to heighten your marketing spends this time?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Marketing spends from a perspective of election is expected to have an increment of say about 10-15% (on a proportionate basis relevant for election related period only), which has been provided for in the business plan. Otherwise if you look at it from the perspective of our presence in the channel's territories as we have shared with you M.P.-Chattisgarh is a very strong belt for us in terms of the way we are already present as a brand in the market. In terms of Rajasthan again, in terms of the average time a viewer is spending on our channel is again a very strong traction for Zee Rajasthan as a channel. Thus the marketing spends in these markets will not be yielding benefits for elections but will also be centred around channel positioning in relevant corridors from a strategic perspective.

Mr. Rakesh Jain – ACM Investment

And would you be still be able to maintain the current margin traction which you did in first half or better than that?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

Margin has always been our focus and is still our focus at this stage; while we are saying that we are working towards revenue growth at an annualised CAGR of 25-30% over next couple of years, even if we look at our current spends or if we look at the overall set of activities which we will move in and around during the election period, we think that we will be able to maintain our margins; though our objective will be to improving the same. However, in case during election times, if the level of activity at ground level and the environment calls for investments for maintaining our presence and increasing our footprint from a strategic perspective, the same shall not be compromised.

Ms. Nita Khilnani – B&K Securities

Yeah thank you for the opportunity, so my first question was that we have also read about revenue increasing the rates by about 25% and we are also hearing from you about Zee News have a rate hike of a similar quantum. So just to understand would it be safe that post the election period, our rate hikes would sort of normalise to an annual 10 to 12% and this incremental is purely on account of elections?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

I would not completely agree on that statement Nita. If we look at our business what has happened is that in case of some of the channels such as Zee News, Chaubees Ghanta, Chaubees Taas, which I've discussed earlier in our call as being the channels that have been key drivers of the business in past, these have benefitted mainly on account of growth in ERs. Further, over a period of last 12-18 months, what we have done is that we have made other channels gain in terms of relevance in their respective market and

thus, their contribution to the revenue of the company. Further, we are consistently working towards increasing the ERs and the inventory utilization of these channels. So it is not a recent phenomenon which is influenced by the election markets, and is expected to remain stable post elections as well.

Even if you compare us with the market leaders in national domain, which is AajTak, we being in the region of Rs. 3200-3300 in terms of our ER have sufficient cushion at this level to grow from here. What is more relevant, as I had shared with the audience earlier also, is that it is important for us to have relevance in terms of our market presence, by virtue of our effective distribution network as well as maintain our performance in terms of content to maintain our market share.

Just to explain a bit more on this, relevance as discussed above is being worked upon consistently on two fronts which is opportunity to see by working on optimizing our distribution and effective reach of the channel in their respective key markets as well as the quality of the content which helps in improving the average time spent by a viewer on our channel. Both these factors directly influence the market share of the channel and that's where we are targeting towards. Relevance of the channel in above parlance helps maintain a strong presence of mind for the channel(s) amongst the clientele (the advertising fraternity) which further supports the improvement of revenue coefficient. This is how we have benefitted from our improving performance and relevance for all our channels.

Ms. Nita Khilnani – B&K Securities

Okay understood. Sir, my second question was that we have seen many media company sort of cutting down on ad volumes to improve market share and eventually rate hikes. Would you also go that way for Zee News since we already had 18 – 20 minutes or probably we are not at that stage yet?

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

So Nita basically, it is an approach which some of channels are resorting to on, probably for short term gains; however, what effectively matter over long term is the aspect of overall relevance. For us, it is a function of our long term P&L based approach. We are a P&L driven company and we will go by what is objective from a business sustainability perspective, that shall be the first criteria that we will look at. The other channels may gain for interim period of few weeks but on a mid – long term, stability in the revenue model is to be seen as well. Said so, the company shall have a flexible approach in times when revenue can be maintained or improved with an increase in ERs that provide for scope for a moderation in inventory levels.

The above aspect may also be understood from a perspective that when the overall news genre which includes English, Hindi, Business News genre, has grown at a pace of say about 5 - 5.5% in the first half of the year, Zee Media is talking about an ad revenue

growth of approx. 34% and that is not only surpassing the news genre but the overall TV ad revenue industry growth in 1st half of the year, which was about 14.5% – 15%.

Ms. Nita Khilnani – B&K Securities

Okay, sir my last question is that now that BARC gives us some data on the news genre also including the regional news genre. So as I can see that Zee Taas and Zee Ghanta are probably the number 2 players in their respective genres. So what are the efforts or the measures that you are taking? Because these are your top 2 regional channels and maybe you would want to increase your share in these genres.

Mr. Ashok Venkatramani – MD, Zee Media Corporation Ltd.

Nita, we definitely target the pole position for ourselves in all the markets. We consistently work towards evaluation of our content creation and distribution strategies and evaluate the cost that we have to incur to be at number 1 position vis-à-vis the kind of revenue benefit we can accrue out of it. And if they are in a tight gap in terms of the benefit or the mileage we earn out of the two things which is cost and revenue in short term to mid-term that is where we take a call in terms of how do we have to go about it. What we are trying to do is at least in the regional markets Chaubees Ghanta is one channel which is definitely very strong. We are definitely working on it in terms of our attempt to be the number 1 channel and increase our rates. However increasing rates of Chaubees Ghanta is no more a function of only being at number 1, it is also drawing an equal amount of traction which ABP is drawing in the market of West Bengal. So that way Chaubees Ghanta thankfully is a much more relevant platform and that is where we discussed that it is able to maintain its EBITDA in the range of 45% - 50%. In case of Chaubees Taas, market over the last 6-9 months has gone through some level of changes wherein Marathi as a genre has undergone a change in terms of the size of the market. Despite that we have been able to hold our forte in terms of being among the leading channels. So I think this is one area wherein we are trying to improve upon our revenue not only by way of earning rates but also there is a good potential of making money in these two markets and couple of more regional markets by virtue of events.

Mr. Vivek Nangia, Individual Investor

Thanks for the opportunity. So first of all congratulations for a healthy revenue growth and heartening to know that the revenue growth will continue. If I look at one of the recent guidance you said the revenues, advertising revenue projections for FY 19 is about 650 crores. Looking at the first half how we've done 287 crores so that yields for about 360 crores for the second half. See, if I just extrapolate for about 180 crores advertising revenues and then other revenues we are looking at perhaps a revenue of 195-200 crores in Q3 and Q4. My question was one, am I right with the numbers? And two, will this kind of growth of 25-30 crores on revenue perhaps that will also bring in

margin expansion and perhaps would take us notch of 25% EBITDA margin for the next two quarters? Could you please share your thoughts on that?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

On the numbers of the revenue that you are talking about, for a target of Rs. 650 Crores, your observation is right in the sense that it shall require a run rate of approx. Rs. 360 Cr. in the second half of the year. For this purpose, regionals are contributing equally strongly to the growth of the revenues as are the national channels. While Zee News have shown a CAGR of over 30% in its ER over last two years, Zee Hindustan, Zee MPCG and Zee Bihar Jharkhand have recorded a growth of over 100% in their revenue for first half of current financial year over corresponding period of last financial year. Also, all the channels excluding the three channels launched last year and WION have positive EBITDA. There were 2-3 channels which were making negative EBITDA for me in the regional domain. Revenue growth for Zee Media has also been contributed by an increasing contribution of the revenue from events to the total revenue. The increase in events have been brought about by an increase in the average ticket size of the events as against the size of events being done last year; while in last year, the events used to be worked around the average ticket size of Rs. 20-25 lakhs, we have been able to scale up the same this year and we are actually working towards notch of Rs. 45-50 lakhs as an average ticket which has translated into more focussed approach on this segment including creation of couple of properties. We have taken our event business in international territories as well for much larger formats. The company further plan to enhance its scale of events to focus towards enhancing the revenue from this segment.

Launch of three new channels in last financial year are targeted to bring in further growth in the revenue wherein these channels are yet to contribute in their full potential. Additionally, the impact of election is yet to come in; the growth seen so far has majorly come out of the normal organic growth in business.

With regards to margins, the company was operating in the range of 20%-22% margin in 2016; the margins went down last financial year due to launch of new channels; however, the same has now started moving up again with consistent measures been taken up w.r.t. revenue enhancement and cost optimization measures and the margins have been north of 23%. However, at overall business level, there is still scope for further optimization. While there is a possibility that we may move closer to 24%-25%, we strongly believe that margins have to be maintained atleast in the range of 22%-25% in times of increasing revenue as that will also translate into increasing EBITDA earnings in absolute terms creating higher cash flows for the company. While we are definitely in a position today to achieve higher EBITDA margins, as we approach elections, the business may require additional investments in content and onground activations. Thus, our focus shall be to firstly maintain EBITDA margins while simultaneously making all possible efforts to improve upon the margins.

Mr. Aksh Vora – Praj Finance

Hi sir, congratulations on good set of numbers and holding a conference. And I hope this goes on a regular basis. Just a couple of questions, you just mentioned that on Zee News we are yielding around 3300-3400. What could be the average yield for all the channels?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

The yields vary from channel to channel, client to client and also dependent on category of client (corporate, retail, government, etc). Regional channels had an average ER ranging from Rs. 400 to Rs. 1200 variations based on factors discussed above. As we talk about the National channels, the average for these channels are in the range of Rs. 1600 to Rs. 2000.

Mr. Aksh Vora – Praj Finance

And do we see these rates basically predominantly low and might yield more In the near future?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

I will give you an example of how you may like to understand it. We discussed Zee News versus AajTak; the gap between us and Aaj Tak is a reflection of the potential opportunity for us to grow and one point to be seen here is that it is not only us but AajTak too is growing. But our pace has been relatively faster because we have worked a lot in terms of strengthening the platform of Zee News as a channel in terms of content as well as other channels too. In case of Zee Hindustan, the growth in ER was over 50% than the corresponding quarter last year with many other channels recording a growth rate of over 25% in ER during the same period. The same is also backed by improvement in fill rates across channels implying an overall revenue growth.

Mr. Aksh Vora – Praj Finance

Right, that is helpful and sir another one like, we have mentioned that we have done recent launches in the last year three regional channels. So going ahead are any investments lined up to channels or for any new investments?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

We have already discussed during this call that there are no immediate plans of investing into any new channel at this stage.

Mr. Aksh Vora – Praj Finance

Oh! Okay that is great. Just lastly, sir how are we currently in the entertainment genre, if you are seeing more traction is being gained on the OTT platform. So how are we placed

on OTT platforms or how are we planning to see some viewership or some placement over those channels or those platforms?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

We will divide digital into two categories; one is the OTT platform and the other shall include other digital properties which will include web sites, phone news apps, etc. So starting with the non-OTT platform first, over the last about one year we have worked upon our websites to make them more relevant. Earlier we had multiple websites catering to multiple channels which have been optimized to condense them into relatively limited number of large platforms with multi-lingual formats that has helped these platforms improve in terms of their operating parameters. Such as Zeenew.com experienced a three fold increase in its unique users over last 18 months. 24ghanta.com has become the No.1 Bengali News mobile website. With a conviction in the future of video based content, the company has developed inhouse capabilities to develop and upload video based content which is also a key driving factor for traffic on various websites. We are additionally working on building a content bridge which is actually supposed to be integrate the news content with with our group level OTT 'Zee 5' next few quarters. With Zee 5 going into international territories, our content could then be provided internationally which will be a very competitive route for WION to increase its global foot print. However, the digital business is yet to be harnessed for its full potential and the same is expected to move closer to a revenue of Rs. 80-100 Crores

Ms. Ishpreet Kaur – Karma Capital

Since you have mentioned that our annual carriage cost is somewhere around 50 crores. How will it change with TRAI regulations coming in maybe in six months or eight months down the line any change that you see in this number going forward?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

While the impact of the same is yet to be seen, we are working with a cushion of another 10-12% incremental cost. Considering the strength of Zee as a group and Zee Media with its bouquet of channels hold significant relevance for the distributors especially in the respective markets for these channels. Thus, they will also like to have our channel as a part of their network. For instance, in MPCG market, Zee MPCG is the leader and a preferred channel; thus the networks there shall definitely ask for Zee MPCG or Zee News or Zee Hindustan. However, placing Zee MPCG outside of its core market or region may have minor cost implications. The implications may come on account of placement of channels that needs to be looked upon. Overall, we don't see a major challenge but going by the principle of conservatism, we are providing for a 101-% cushion at our end. The same may also come up over a period of time and not with immediate effect. Moreover, with most of our channels being strong number one or number two have a higher propensity of being sought for by the networks.

Ms. Ishpreet Kaur – Karma Capital

Okay got it. For the difference between the ER of number two and number three player, has the gap widened in the last 6 to 8 months or has it been....?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

It keeps moving between a band of approx. Rs. 500-1000.

Ms. Ishpreet Kaur – Karma Capital

So the number three player has also grown at a similar rate you are saying?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

It is again a function of I would say the content that you working on and why people and an advertiser will come to you. So if I look at any of the players in the market be it AajTak, be it us, be it IndiaTV, be it ABP, the difference between us and other players should be sometimes on account of performance of these other players in some slots during the day or week that may help them build up their ERs. It doesn't necessarily mean that they are able to earn a uniform rate across slots or are improving across slots to fight against us or Aaj Tak. We as a channel are working on building our strengths across slots which include 6am to 12pm, 12pm to 6pm and 6pm to 12midnight. In these slots, we are building up content basis hourly or half hourly slots and the positioning of content required. The approach here is to have multiple points to earn premium rates on the channel thereby hedging the potential of ER to grow in future.

Ms. Ishpreet Kaur – Karma Capital

Got it and just one last thing, so how is the subscription income going to look like after the tariff order?

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

I don't see a major change in that, just like in distribution I don't see a major change. Ultimately it is like this that if you have a strong content and a meaningful distribution, the distributing player shall always have potential to earn subscription revenue from its connections as the subscribers shall ask for the channel on the network. But what one should also focus towards is to ensure that the intrinsic strength of the channel is maintained and further built upon to maintain its relevance as well as to ensure that there is always a strong market for the channel. This will increase the potential of the channel to earn revenue multifold thereby offsetting the reliance on subscription based

model. Also, our national channels Zee News and Zee Hindustan are already on DD Freedish; so distribution there is not a challenge.

Moderator

Thank you very much. Well ladies and gentlemen that seems to be the last question for today. I would now like to hand the conference over to the management for their closing comments.

Mr. Sumit Kapoor – CFO, Zee Media Corporation Ltd.

First of all, thanks to all our investor colleagues for their participation and just to summarise on the business side, what we are working towards is creating more and more strength in all portfolios in all the channels that we are working on. Second thing is that we are focusing towards building up strategies from a 2-3 years perspective while capturing the benefits we can derive out of events such as elections, key political/social/economic developments etc. Nowhere are we only working around short term growth but are focussed to create significant value for our stakeholders over next 2-3 years. Every market that we are trying to get into is being carefully evaluated before we step in and the perspective is to ensure that it is always backed by a P&L based approach. So we are not working towards growth for the sake of growing; we will like to grow in a market/business which offers us the propensity or the opportunity to grow in terms of strengthening our P&L further over the next 12-18 months period while increasing the economic value of business over next 2-3 years. We're also maintaining a close network with all our stakeholders be it our internal stakeholders, distribution teams, our content providers, our technology partners, etc. to understand the changes in business environment and how to adapt to these changes. In this journey of our growth, we will be keen to have you as our partners and contribute to and benefit out of our growth. We will further like to reiterate that we are working towards a growth in revenue with a CAGR of 25% kinds over 2-3 years, though we have been working much ahead of that in this financial year, and the idea will always be to maintain our EBITDA margins so as to offer value to our shareholders.

Thanks once again for participating in this call.