VASUDHAIVA KUTUMBAKAM
THE WORLD IS MY FAMILY

Zee Entertainment Enterprises Limited

CONFERENCE CALL

January 24, 2017

Moderator: Good day, ladies and gentlemen and welcome to Q3 FY2017 Earnings Conference Call of Zee Entertainment Enterprises Limited. As a reminder, all participant lines will be in the listen-only mode and 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 "*" then "0" on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bijal Shah. Thank you and over to you, Mr. Shah.

Bijal Shah: Thanks, Margaret. Hello, everyone and welcome to Zee Entertainment's Earnings Call to discuss Company's performance in Q3 FY2017. Joining us today on this call is Mr. Punit Goenka – Managing Director and CEO of Zee Entertainment; along with Mr. Mihir Modi – Chief Finance and Strategy Officer.

We will start with a brief statement from Mr. Goenka on the third quarter performance subsequently we will open the call for question and answer.

Before I pass it on to Mr. Goenka, 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 and must be taken in the context of the risks that we face.

Thank you and over to you, Mr. Goenka.

Punit Goenka: Thank you, Bijal. I would like to welcome everybody to this call and appreciate you joining us for the discussion on the results of the third quarter of fiscal 2017. I would like to start the call with corporate developments followed by financial and business performances.

In line with our strategy to expand our offering in key genres and focus on regional space we have entered into an agreement with Reliance Broadcasting Network to acquire its television broadcasting business. BIG Magic, a comedy channel, will complement our Hindi GEC portfolio. BIG Ganga, the leading Bhojpuri channel, will give us entry into the attractive Bhojpuri market. We are confident that these two channels will benefit immensely from the strength of our network.

Coming to the financial performance, we are happy to deliver another quarter of strong profit growth in a challenging environment. Despite the impact of demonetization on our advertising revenues, we have improved our EBITDA margins. This highlights our ability to manage costs to drive profitable growth on a consistent basis.

ZEE's consolidated advertising revenue grew 3.4% in Q3 FY2017, despite the impact of demonetization and the high base formed by 26.8% y-o-y growth in Q3 FY2016. Advertising revenue growth during first 40 days of the quarter, i.e. pre-demonetization was similar to the growth seen in H1 of FY2017. We believe that advertisers' willingness to invest in their brands remains intact. However, the timing of spends has been recalibrated to an extent to suit the change in dynamics due to demonetization. As economic situation is normalizing, ad spends have already started moving up from December levels.

Total subscription revenue in quarter three grew by 13.7% to Rs. 5,935 million. The strong growth in domestic subscription revenue is attributable to closure of content deals with a few large distribution platforms during the quarter. Accordingly, Q3 subscription revenue includes catch-up revenue for the previous quarters. The strong 9M growth in subscription revenue in FY2017 is due to finalization of several content contracts in Q2 and Q3 in this financial year as compared to finalization in the second half in the previous financial year. The outlook for full year growth in domestic subscription revenue remains unaltered.

EBITDA for the quarter grew by 20% on y-o-y basis to Rs. 5.2 billion and EBITDA margin stood at 31.5%. The cash and cash equivalents for the quarter ended December 31st stood at Rs. 16.7 billion.

Now, I will cover the business performance starting with the broadcasting vertical.

In the preceding quarter, ZEE Network's viewership share excluding sports was 15.9%. The quarter saw the launch of HD feed of 3 regional channels, taking the count of non-sports HD channels to 9. The viewers can now watch Zee Marathi, Zee Bangla and Zee Talkies in HD.

Our two Hindi GECs, Zee TV and &TV, had a combined share of 20.8% in the pay Hindi GEC genre. Zee Anmol, Hindi GEC catering to Free-To-Air audience, was the leader in the FTA Hindi GEC space. Our flagship Hindi GEC, Zee TV, saw some decline in viewership, while &TV improved its viewership marginally.

In Hindi movie genre, we continue to retain leadership position through our five channels. Our latest offering Zee Anmol Cinema for FTA movie market has been well received and is ranked number two in its category.

Our regional entertainment portfolio once again exhibited a strong performance. Zee Marathi increased its market share at the number one position in the Maharashtra/Goa market. Zee Bangla was the second most watched channel in West Bengal. In Telugu genre, Zee Telugu was the third ranked channel. Zee Kannada increased its market share as the second ranked channel in Karnataka. Zee Tamil continues to gain market share and is now the second ranked channel in the Tamil market. Sarthak TV continues to dominate the Oriya market.

Our English cluster continues to perform well bringing the best of entertainment content and movies from around the world.

Moving on to our other businesses.

Zee Music Company, our music label, continued its library expansion with acquisition of music rights in both Bollywood as well as regional space. In Q3, our music label registered more than 1.4 billion views on its YouTube channel.

Zee Live, our live events business's first property - 'Wicked Weekends', continued with events across venues and cities. The business rolled out its second property with the commencement of Zee Theatre Tour in January 2017.

On the digital front, DittoTV went live on major telecom operators' platforms which should drive subscriber growth.

Thank you very much. We will now open the session for question and answers.

Moderator: Thank you very much. We will now begin with Q&A Session. The first question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have three questions. First question is, how do you guys look at the outlook on overall ad growth especially, given the demonetization impact from FMCG companies? Just wanted to understand from you guys, how should we look at the recovery and general expectations right now for the ad growth for 2017? My second question is on the tax rate. Mihir, I think this quarter there was a decent jump in tax. So, if you could give clarity on why it was and how we should look at it going forward? And third, generally on a big picture view of your OTT strategy. Now, clearly when we compare DittoTV with Hotstar today, you do see Hotstar doing a bit better. So, wanted to understand if you have any thoughts on revamping your OTT strategy, anything you could share there would be helpful. Thanks.

Mihir Modi: Thanks, Sachin. I will take the second question on tax first. So, the tax rate varies from quarter to quarter depending on the mix of profits that we make in various subsidiaries. The nine months' tax rate is around 35% and we expect that on a full year basis our tax rate will come down to those normalized level between 33%-34%.

Punit Goenka: So, on the advertising front Sachin, while it is still very early to predict how the entire quarter will look like, as I said in my opening remarks, we have seen significant recovery but not anywhere close to what we were clocking a year back. So, very difficult for me to give you precise outlook for what will happen in the whole quarter but we are looking at it week to week as we go along. On the OTT platform, yes, you are right we are significantly underperforming compared to Hotstar, but we have our strategy in place which we will be rolling out during the second half of current calendar year and you will hear more about that in the quarters to come.

Sachin Salgaonkar: Okay. Thank you, Punit. One small follow-up - I understand clarity on FMCG is a bit difficult, but any offsetting impact out here with let us say telecom, autos or any other sector spending a bit more. How should we look at that?

Punit Goenka: Bijal, you want to comment on that.

Bijal Shah: What we are seeing already is that telecom is picking up, and again in telecom we should see significant improvement going forward once Reliance actually starts charging their customers, because at that time you will need to build the brand. And once the final pricing is available, we expect other guys to actually advertise to counter Reliance. So, we see telecom as one of the major drivers next year. Beyond that, in auto, if we see the line-up of launches by most of the auto majors, that itself should be one of the big drivers. Some of the launches in FMCG were actually deferred, so as remonetization happens we should see that also come back in next quarter or over a couple of quarters. So overall, outlook is looking very decent from here on. And if we go by the agency numbers they are talking about 10% - 12% kind of growth. So, from here on, things should start improving.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: I just had a follow-up, the ad revenue growth of 10% - 12%, is that the outlook for Q4?

Mihir Modi: No, that is the reference to the agency numbers, the agency estimates that come for calendar year I mean. This is just an anchor, and how the year will pan out will be clearer as we go few months into the year.

Kapil Singh: Okay. And in terms of ad revenues, have we started to see growth? If I look at the kind of numbers we have talked about for first 40 days, it indicates that there was slight drop in the period after that, which itself is very good. But when we look at current situation, are we seeing a growth already?

Punit Goenka: As I said Kapil, we are already seeing improvement from where we were at in December. But if I normalize it to growth over last year January, no, it has not yet come back fully. It is more in the flattish zone as of now. But having said that, I would also like to comment that this is the right time for FMCGs to continue to spend to build their brand and I think that the ad spends will come back sooner than we expect.

Kapil Singh: Okay. And secondly, a question on the placement cost - we have talked about significant reduction there, could you help us get some color on that?

Punit Goenka: So, yeah, we have had significant reduction in placement cost as we have been guiding it over the last couple of years. I am not at liberty to give you the numbers because it is market sensitive information. But I am sure you can figure that out once you see our balance sheet when it comes out.

Moderator: Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Just looking at the programming cost which is flattish Y-o-Y and if I adjust it for the sports it should have grown by 10%. My question here is, we have been talking about increasing our programming hours, especially in the Hindi space, and we have not seen that happening. At the same time, our ratings in the Hindi GEC have not been doing well. So, just an outline of why are we not able to invest or what is the outlook there? Secondly, the question on Anmol. Now, I see that we started off Anmol with a big bang last year in terms of ratings and we were the clear leader, off late we have seen even Rishtey and Sony Pal actually do better than us and even Star is very close to us. So, is there a strategy by the other players to show relatively more fresh content or with a little less lag which is enabling that? And is it overall a threat to the broadcasting space in terms of better and good content being shown on FTA channels?

Punit Goenka: Vikash, you have rightly noticed that programming cost should have grown 10% after adjusting for sports. We have had issues in creating a line up for the Hindi GEC, especially for Zee TV. I think we are pretty much on track on &TV, where we are may be off by about an hour a week. But we are significantly off on Zee TV by almost maybe 4 - 5 hours a week in terms of fresh content and that is predominantly due to some of the line up having taken longer than we expected. We are investing a lot more in pre-production and trying to make sure that our success ratio is better than what it has been in the past. So, that is the reason for that and you will start seeing a change in that in the coming quarter itself. As far as the FTA markets goes, yes Rishtey and Sony Pal are showing a lot more fresh content, but as you rightly said in your own reasoning, this will be a threat to the overall GEC pie. We will choose to stick with our strategy of no on-air show going on the FTA channels because we have to safeguard our subscription income which could potentially come under threat if that was to be done.

Vikash Mantri: Okay. One more question if I can ask on the tariff order and the stay that is there - as Zee, what has been our stand with respect to the court or the copyright thing though we have written in the comments to it? My only question is, we have had price ceilings earlier also in the 2007-2008 cash regime, and after a long time this seems to be a tariff order which is shifting power to the consumers in terms of content selection. Why are we not in favor of it?

Punit Goenka: It is very difficult to answer that on the call because I will have to take you through the granularity of the tariff order and what is that we do not agree with it in there. While we may agree with a large part of it that you are pointing out, there are significant pieces that go against our interest and hence, we have always been giving our feedback to TRAI, which being ignored we have no reason but to go to go to court.

Vikash Mantri: So, let me put it this way, there are a few clauses which you do not agree but you are basically fine with the hypothesis of a-la-carte and selection the way the tariff order is proposing, you are may be not fine with the genres caps and pricing caps. Is that a fair understanding?

Punit Goenka: Again, partly fair understanding. There are still a lot more details, which unfortunately, we will not be able to clarify on this call. I can definitely take it offline.

Moderator: Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: So, just two questions. Firstly, Punit, on the sports side, I think, your performance this year has been great. At the beginning of the year you were hinting at a reasonable loss number and you have actually broken even. So, if you were to look back, do you think the sale of the sports business was too premature and may be this was something that was turning around and could have been a great fit for your entire bouquet going forward? So, any thoughts on that. And if you could also update us on where we are in the process of sale? And the second is Mihir for you, you had some phenomenal cost savings this quarter, and we have seen some savings on staff cost and selling and admin expense. I can understand selling but on staff cost also we have seen some reductions. Do you think, you will be able to have these tight controls going forward as well? So, basically if you can give us a sense of what is your outlook on margins for Q4 and for fiscal 2018, so just some guidance on that front? Thank you.

Punit Goenka: Thanks, Parag. So, on the sports business, I do not think our decision to sell the sports business was purely based on the losses it was making. I think strategically we have decided to focus on the core business of GEC and films and exit sports business, which given the current investment levels that are happening in the industry, don’t make me feel that it fit our portfolio of products. So, the decision to sell a business is not based on how we are performing in the current year or may be two years down the line, otherwise I would not have run it for ten years. It is a just a strategic call we are taking on what business we want to pursue for the future and what we do not want to pursue. In terms of process, we are at the final leg of the closing. As I have said when the sale took place, that the closing outer limit is 31st March, 2017, I think we are well within that time to happen. Mihir, you want to take the cost issue.

Mihir Modi: Sure, Parag. So, Parag, on the cost side, yes indeed we continue to make efforts to optimize our costs wherever possible. I think, in this quarter you are seeing some savings on the selling and distribution line item. On the personnel cost, Q-o-Q there is a small reduction versus previous year. We are growing at a reasonable inflationary pace, and the Q-o-Q difference is because of some of the compliance related adjustments that are coming, for example, gratuity etc., that need to be provided for. That difference shows up in one quarter and sometimes in the other. But if we look at Q3 this year versus Q3 last year, we have been growing at 13% versus the previous year cost.

Parag Gupta: So, Mihir, just a related question. Do you think you will be able to hold on to these kinds of margins given that advertising revenues could start kicking in again? So, do you think, margins can remain well above 30% or do you think that will get reinvested?

Mihir Modi: I think we have always maintained that our aim would be to take the margins above 30% on our existing businesses and then reinvest to bring it back at 30% levels. So, it is a function of when we make those investments. I think, it is comfortable that the margins on a steady state basis remains above 30%. Theoretically, it could go 300 bps-400 bps even above that, but we would want to make sure that we are adequately invested and therefore, the margin should remain on a steady state basis north of 30%.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Just continuing with the cost cutting initiatives which we have taken. First, on the content cost front, will it be right to understand that this is just a Q-o-Q phenomenon, wherein probably on a y-o-y basis we are seeing a flattish content cost, ex-sports that is, and next quarter onwards there will be a healthy growth on that number given the incremental investment in content?

Mihir Modi: Indeed. So, I think there are two issues here that will impact how the cost moves. One is our base level, how do we increase hours or when we make those decisions and then there are seasonal properties that come in certain season and those would move the cost up or down. But directionally, I would agree with you that yes, Q4 cost will be a little higher given that we have a few properties coming in Q4.

Ankur Periwal: So, Mihir, just on the programming hours, what number are we right now and what is our let us say target going ahead?

Punit Goenka: Current quarter that we are in, for Zee TV it would average about 25-26 hours. For &TV we are currently at 20 hours and we should be at about 24 hours in due course of time.

Ankur Periwal: 20 hours going to 24 hours and for Zee TV 25 hours going to around 30 hours plus, let us say over the next 2-3 quarters?

Punit Goenka: Yes, over the next 2-3 quarters, definitely, we will be in the range of 30 hours.

Ankur Periwal: Sure. And continuing with the earlier question on the content being shown on FTA channels versus what is being shown on the pay channels. How do you think the industry is, because clearly, it looks like the peers are much more aggressive in terms of getting viewership even at the cost of subscription probably? But what is thought going ahead? How can this pan out?

Punit Goenka: I think it is not only that they are being aggressive on the viewership, it is also the fact that they do not have enough content in the library to show and they end up using the fresh content. I think once their pay revenue, if it starts hurting, it will get some semblance in the market. We will continue our strategy as it is and we will see how it plays out in the years to come.

Ankur Periwal: But Punit, any thoughts if this might hamper the advertisement growth as well, because the yields on FTA are much-much lower versus the paid ones and given almost a similar reach. So, does that pose a threat on that front as well?

Punit Goenka: No, it is the quality of reach, right. Large part of the FTA is from rural and not from urban market whereas pay viewers are largely from urban and much lower from rural areas. Value proposition for advertisers to have a lower yield on FTA is that and not just because a certain viewership is not equal to the same in rural versus in urban.

Ankur Periwal: Sure, fair enough. Lastly, on DittoTV's performance, if you can share some details about the subscribers and overall how the run rate is going on?

Mihir Modi: As Punit mentioned in reply to one of the earlier questions, currently we are undergoing thinking and strategy building on our overall OTT strategy. Therefore, the current numbers will not be in any context. What I would suggest is that once we have the forward-looking strategies to talk about, that would be the right time to talk about numbers on that front.

Moderator: Thank you. The next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: My question is, if I look at nine months' domestic subscription revenue growth that is about 17%, and 19% if I factor drop in carriage. Effectively, at a net level the growth is even higher, which is very impressive, considering the numbers we see regarding content cost of the distributors. Now, could you update us on Phase-III digitization, what percentage, if bulk of the benefit, is already in the numbers we are seeing, or should we expect that to go up in the next year, for the time being ignoring or leaving aside the tariff order thing?

Mihir Modi: Thanks Jai. So, I think the way to look at subscription is not necessarily in conjunction with placement. I think our placement cost has been coming down over the last few years, in some years a little less reduction, in some years (which is the current year) a little higher reduction. So, I would not really put it together, strictly speaking. I would see it separately. Having said that, the Phase-III numbers will come in over a period of time but these are, mind you, low ARPU geographies and therefore a sudden spike may not necessarily be visible. But we will see numbers trickling in over the next 18 months or so.

Moderator: Thank you. The next question is from the line of Kush Shah from Credit Suisse. Please go ahead.

Jatin: This is Jatin**.** My question is regarding cost reductions on the selling and distribution side. So, just wanted to understand are these sustainable or will these costs come back? Were these more of a measure to fight a tough quarter or are these structural?

Mihir Modi: Jatin**,** this is Mihir here. There are two parts to this. One is quarter related marketing, which is sustenance marketing saving, and then there is certain structural saving on placement cost that we are talking about. We hope that the placement cost, like it has been over the years, will continue to come down and to that extent I would like to believe that it is permanent. Of course, the placement cost by nature will not be linear across the three quarters of this year as is the case with subscription revenues also. So, subject to that caveat, I think on a full year basis we hope that the placement cost is a structural change that we are achieving. Marketing is a function of the decisions that we make about properties relating to launch of new fiction shows etc., and those may move a little bit up or down depending on what decisions we make.

Jatin: Okay. And on the content cost front, is there any attempt to time the investments on content with the ad environment or improving sentiment, or regardless of that the content cost and the investments would go in over the next couple of quarters?

Punit Goenka: Investment decisions have already been made so, they will continue to happen irrespective of the fact if the re-monetization takes a few months longer. I do not think we can wait for that to happen because we are making the call to invest.

Jatin: Okay. And just one bit on the OTT, you had launched OZEE very recently, any feedback on that?

Punit Goenka: So, OZEE is an AVOD service and it is doing relatively well. We have over 40 million video views a month on that platform, so that is tracking well for us.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar: Actually, most of my questions have been answered. Just two points at my end. I think, one of the previous callers have talked about Phase-III opportunity. Now the government has come out with March deadline for Phase-IV as well. First point is, do you believe that March is a viable deadline as far as Phase-IV markets are concerned given its spread? And the second one, I just wanted to understand, the spread of free dish at the broader level, not relative to competition, but at the market level. I know the spread of free dish is in rural markets and any sort of long-term impact that you can call out on your Pay TV revenues. Are these essentially incremental subscribers that free dish is getting? Do you see some sort of cannibalization within the current Pay TV revenues coming through from rural market, be it DTH or cable, any sort of color that you can give on that please?

Punit Goenka: So, I think firstly, let us take the Phase-IV 31st March deadline. Our belief is that anybody who has potential to pay in Phase-IV is pretty much in with the DTH operators already. So, Phase-IV having an impact on revenue upside, I do not see too much coming from that. Phase-III is definitely something that we expect more growth to come from for us. So, the strictness of 31st March being a deadline is not relevant because whatever needed to happen in Phase-IV from a paid point of view is done. DD Direct from that perspective, our estimate is that it has about 18 million subscribers currently and these are very low strata households which are not willing to pay for pay content services and that number is growing but it is still not anywhere close to start impacting pay revenues for the industry. But we have to keep a watch out for it.

Amit Kumar: All right. And just a quick follow-up on the point that somebody else also made, as you sort of mentioned that these are very low strata households, at best they might have had a terrestrial connection in the past. Certainly, it does not seem to be a shift from Pay TV. So, actually any sort of content for them, be it on Zee Anmol or Rishtey, etc., is going to be new content for them, I mean whether that is library or any running show in any of the existing Pay TV channels essentially.

Punit Goenka: Correct, you are right in that.

Amit Kumar: Okay. Just a quick one, on the film side, at the beginning of the year, you were quite positive and there were sort of discussions about going fairly wide in terms of your regional films, as well as within the Hindi cinema space. Right at the end of this year we have seen only one film on the Hindi side which is Rustom. Marathi, is any which way an area of strength for you. Could you just talk a little bit about your investment strategy in the films business for next year? Some sort of numbers but really more color in terms of the film pipeline?

Punit Goenka: So, we are still very bullish on that. In fact, the current quarter that we are in, we are already having one film releasing this week, where we are only international distribution partners for Raees. UK, U.S. is exclusively with us for theatrical release. We will have the Kannada version of Sairat releasing in February. The other pipeline, unfortunately, is all slated for financial year 2018. So, there is no slowing down on the film side. But as you know that the film business is cyclical and therefore, our line up in next year is far stronger than this year.

Amit Kumar: All right, that is really helpful. Can I just make one small request? The film pipeline, at least for next year, in 4Q if you could just give some color in your financial release that will be really-really helpful, just so that we can sort of start tracking the business a little bit more closely.

Punit Goenka: Okay.

Moderator: Thank you. The next question is from the line of Nakul Manaktala from Samara Investment. Please go ahead.

Nakul Manaktala: So two questions. First with regard to Zee TV, I mean the incremental 4-5 hours of programming hours that you wish to add, what type of cost will be involved in that and how will that affect your margin profile? And second, with regards to the international business, international ad revenue has been growing at a pretty slow rate. So, any progress there to kind of build up some traction there?

Mihir Modi: So regarding Zee TV, the industry cost per hour is in the range of Rs. 2-Rs. 2.5 million per hour. We would certainly be below that range and that is the kind of cost estimates you can build in. Relating to the impact of that cost on the margin, there will also be likely additional revenue that will come in because of those hours that we are going to be adding and therefore the margin impact will depend on how well those hours take up on the rating scale and therefore how much revenue we are able to garner out of it. Overall, given the breadth of our network and the number of channels that we have, the margin impact will be negligible, if I may say that. On the international side, we are starting to build our spread across various new geographies with new offerings and that is gaining reasonable traction but given that international is a relatively smaller part of our overall company performance and that these new businesses are still at an initial stage, for it to start making a difference on the overall numbers will take a little while but it is gaining traction in the right direction.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Just very quickly. Can you actually talk about what is the court status of the new tariff order because I am not quite clear? Supreme Court says they can release the order, can you please highlight that?

Punit Goenka: No, I think it has to be heard in the Chennai High Court. Only after Chennai High Court gives its ruling will Supreme Court actually hear it, if required. So, t is still status quo, there is no change to it as of now.

Rohit Dokania: Okay, sure. And just lastly, can you talk about what kind of investments that we would be doing in this year in terms of TV satellite rights for movies?

Punit Goenka: When you say this year you mean…

Rohit Dokania: FY 2017, yeah.

Mihir Modi: So, this year the investment could be a little higher than what we have been spending in the earlier years, and this is because we are kind of focusing on a certain category of films, a certain category of rights. So, you can expect slightly higher investment in movie rights this year.

Rohit Dokania: Is it possible to quantify, Mihir?

Mihir Modi: I would refrain. It is a slightly sensitive from competitive standpoint.

Moderator: Thank you. The next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: My first question is, have you seen any difference in the impact of demonetization between national and regional channels?

Mihir Modi: I think if we look at apples to apples the impact is similar. But for our portfolio what offsets that overall impact is the channel performance. So, for example, our Tamil channel has been doing very well and therefore, that more than offsets, for example, the demonetization impact. But if we eliminate the channel performance, we see pretty much a balanced seasonal impact.

Alankar Garude: Sure, sir. And secondly, we are seeing few non-fiction shows for competitors doing quite well in the last few months which is helping them improve their ratings substantially. Now, Mihir you spoke about reinvesting in the business and at the same time maintaining margins above 30%. So, are we now prepared to invest in few high cost non-fiction shows for both Zee TV and &TV?

Mihir Modi: Alankar, the willingness is always there. But we also believe the high cost non-fiction property you say, gives us spikes that may and in most cases may not be sustainable. While we are not averse to that, the investment will be in properties that are sustainable. We have been running, for example, The Voice India on &TV and that shows that we are okay to make those investments. It really depends on what the brand needs and what it stands for.

Punit Goenka: So, just to add to what Mihir was saying, our flagship SaReGaMaPa comes back in February, which is again a high cost property and with The Voice and several other shows we have been investing, so we will continue to add those. In the third quarter we did not have much non-fiction but definitely non-fiction is something we look at as a part of our strategy.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar: Just one point, I think you mentioned somewhere that on Zee TV you plan to increase the number of programming hours from 25 hours to 30 hours and on &TV from 20 hours to 24-25 hours. In the past, whenever we have seen ratings decline, in Zee TV specifically, the focus initially has been on replacement programming. I mean, initially taking out the underperforming programs and replacing them with better, fresher content. So, would increasing programming hours be an immediate priority or getting replacement programs for some the underperforming ones?

Punit Goenka: Absolutely, right. Our focus is first to limit the underperforming slots and then increase hours. So, the increase in hours that was being referred to go to 30 hours is over the next two to three quarters.

Moderator: Thank you. The next question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: Just a quick follow-up. So, Mihir you did mention that you are comfortable at 30 plus margins. Just wanted to understand, this margin is including sports right because the minute you separate sports, optically your current margin starts looking like 33%. When you say you are comfortable with the 30% margin, the benchmark is this quarter numbers or the benchmark is for let us say going into next fiscal when you have sports completely separated out?

Mihir Modi: This is the long-term or rather medium-term sustainable margin that I am talking about, not referring to this quarter or the next year. I think, quarter-on-quarter the margins may differ depending on various factors. To name one, it could be just the subscription catch-up revenues received in a particular quarter that could bump up margins in that quarter. So, I would not go into that detail for this question. I think, at a broader level, we believe that healthy margin is around 30%, just north of 30%. While theoretically it is possible to take it up to 33%-35% levels, like you are just mentioning that this quarter if we take out Sports it would touch those levels, but on a medium-term sustainable level that is the comfort that we as a company have.

Sachin Salgaonkar: Sorry to follow-up on this, but I mean, going into FY 2018 your margins will become 33% even if you do not do anything, just because of sports separation from revenue and sports separation from cost. So, are you saying that 33% will fall to 30% because you will reinvest in the business?

Mihir Modi: We are talking about adding hours, we are talking about doing newer properties. Essentially, reinvestment into broadcast properties, digital efforts, etc. So, I understand, that this quarter the math is the exact way you are saying, but when we look at it from slightly longer-term perspective of 18 months or 2 years, there would certainly be a need for pumping back money into the business.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: Sir, can you give idea about what is the difference in yields on Anmol and paid GEC, if you can give any color on that at least percentage wise.

Mihir Modi: I am sorry, what is your question, difference in which area between Anmol and PayTV?

Vipul Shah: No, yields on advertising, advertising rates. I do not want exact rates but what is the percentage difference between ad rates on Anmol and paid GECs like Zee or &TV?

Mihir Modi: So, mainstream Pay TV GEC would be a multiple of FTA mainstream GEC. It would be depending on which two GECs you are comparing; it would be anything within 4x, 5x, or 8x.

Vipul Shah: 4x, 5x.

Mihir Modi: Yeah, 4x, 5x, 8x, depending on which two you are comparing from the two baskets.

Moderator: Thank you. The next question is from the line of Rohit Joshi from Global Solutions. Please go ahead.

Rohit Joshi: You have updated in the con-call that sport business sale would be completed by Q4 FY2017. Just want to know that do you plan to utilize the bullet payment for redeeming your preference shares?

Punit Goenka: So, we are not at liberty to take those decisions. These will be put up to our Board and they will take the final decision as to what the proceeds of that money will be used for. So, definitely this is potentially one such item that we could use the money for, but it is not something for us to decide.

Rohit Joshi: And by when the consolidation of the two operational channels of Reliance Broadcast would be done?

Punit Goenka: We expect the High Court approval by July-August and that is when it will happen.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Sir, considering the kind of growth which is happening in the video consumption on digital platforms and also so many things are happening on the internet ecosystem, so has there been any improvement in the realization on digital media over the last year and half?

Punit Goenka: For whom are you asking Yogesh?

Yogesh Kirve: For Zee.

Punit Goenka: **A**s I said, on the OZEE platform, which is an AVOD platform, we are seeing yields improving quarter-on-quarter, year-on-year, but it is still relatively a new platform. The overall digital pie is still dominated by search and video is a fraction of that number. I think each one is getting their fair share, that is how I can answer.

Yogesh Kirve: So, when we launched OZEE, I understand a lot of you earlier views were around the YouTube. So, when we moved to OZEE, has there been any marked improvement compared to YouTube?

Punit Goenka: No, we pulled out all our content from YouTube and now it is available only on OZEE.

Yogesh Kirve: So, compared to what we were getting on YouTube so, has there been any major increase?

Punit Goenka: Definitely there is a significant increase in revenue.

Yogesh Kirve: So, any thoughts on promoting or advertising the OZEE brand more aggressively going forward?

Punit Goenka: As I said in my earlier comments to some other question, we are working on a full strategy for digital which we will be rolling out in the second-half of coming fiscal.

Moderator: Thank you. Ladies and gentlemen, that was the last question. On behalf of Zee Entertainment Enterprises Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.