



Zee Entertainment Enterprises Limited

Q1FY23 Earnings Conference Call
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Transcript

MANAGEMENT:

Mr. Punit Goenka – Managing Director and CEO

Mr. Rohit Gupta – Chief Financial Officer

Mr. Mahesh Pratap Singh – Head Investor Relations



Moderator: Ladies and Gentlemen, Good Day and Welcome to Q1 FY23 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mahesh Pratap Singh. Thank you and over to you, Sir!

Mahesh Pratap Singh: Thank you, Steven. Hello, everyone and Welcome to Zee Entertainment’s Q1 FY23 Earnings discussion.

We have with us today our Managing Director and CEO Mr. Punit Goenka along with senior management team.

We will start with opening remarks from Mr. Goenka followed by commentary on operating and financial performance by Mr. Rohit Gupta, our Chief Financial Officer. We will subsequently open the floor for questions and answer session.

Before we get started, I would like to remind everyone that some of the statements made or discussed on today’s conference call will be forward-looking in nature and must be viewed in conjunction with risks and uncertainties we face. The company does not undertake to update any of these forward-looking statements publicly. With that I would hand the call over to Mr. Goenka.

Punit Goenka: Good evening, everyone!

I hope all of you are doing well. Thank you for joining us today to interact with me and my team members, on the Company’s performance in the first quarter of the financial year 2023.

As you all must have observed, the media & entertainment sector is at the cusp of higher structural growth with numerous opportunities to capitalize. But on the other hand, the industry is also facing near-term challenges emerging from macro-economic factors, leading to high volatility in the overall advertising ecosystem. That said, these challenges are also an opportunity to build stronger and agile business models. Amidst this scenario, the tenacity displayed by the Company, has enabled us to continue making good progress on the strategic priorities set across the business.



We are witnessing significant investments being made across the industry, which is a firm testament that the sector will continue to be a hugely attractive proposition in India's growth journey.

This phase of evolution needs a different approach and a longer term investment focus to win over the empowered consumer, who has a multitude of consumption platforms at her disposal. We are well-poised to capitalize on this next wave of growth by taking several strategic steps, that will further strengthen our market position.

But before we delve into each of these segments and the Company's performance in detail, I would like to share a quick update on the overall merger process. As you all would have noted, we recently received the approvals from the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). We are pleased to move forward in this process, and the teams at both ends continue to work independently towards seeking the necessary legal and regulatory approvals, as per law. We remain committed to bringing this merger to fruition and unlocking the numerous value-accretive possibilities it has to offer.

Coming back to the Company's performance, I would like to share some key pointers pertaining to the quarter gone by, while our CFO, Rohit Gupta will discuss the financial and operating metrics with you in detail.

Like I mentioned before, the start of this fiscal has been soft for the sector as anticipated, due to the macro-economic headwinds impacting overall growth. But I remain optimistic of high growth levels returning soon for the industry. We are currently going through a phase where we are focusing on building value in the long-term, and are persisting with our investment themes, given our strong positioning and an attractive market opportunity ahead.

We have always followed a prudent cost discipline, and we have reaped the benefits of this in the past, on the back of stronger revenue growth driving superior margins. But due to the overall macro-economic environment and inflationary pressures impacting the advertising revenues during the quarter, we saw revenue headwinds getting accentuated, flowing through the operating margins.

That said, the current market scenario is a temporary and transitional phase, and it does not structurally change the growth thesis and longer-term revenue potential. In terms of the advertising revenue outlook, TV continues to remain a powerful



proposition for brands, providing massive reach at the most competitive price point. As you would have noted, large FMCG players drew a positive co-relation between advertising and promotional spends, and volume growth during the quarter. But presently, the FMCG segment is weathering inflationary headwinds with commodity prices rising to decadal highs, and suppressed consumption leading to minimal volume growth for the sector at large. As this segment is dynamic and has a significantly higher spending potential, there has been an impact on our advertising revenues as well. We do remain hopeful of a quick recovery and as the tide turns, we will reap the benefits of higher market-wide advertising and promotional spends. At the moment, we are focusing our energies towards further sharpening our content offerings and strengthening our viewership share to be well positioned to capitalize on this uptrend.

The impediment on subscription revenue growth due to the embargo on channel pricing continues to affect the sector. With the Telecom Regulatory Authority of India (TRAI) pushing the implementation deadline to 30th November 2022, we will have to wait and see how the implementation schedule and subsequent scenario plays out. I firmly believe that there is enough headroom for the growth of pay TV in the country. India still has about 90 million households who are yet to own their first TV sets, which represents a long runway for TV subscription revenues, unlike other global markets where TV penetration has saturated.

On the digital side, it is gratifying to note the healthy growth of ZEE5 across all usage and engagement metrics. The platform consistently ranks amongst the top players in terms of recall value, content appeal, frequency of usage and time spent. Our efforts and investments towards offering a robust content slate and user experience reflect in the positive growth momentum displayed by the platform.

During the quarter, we also inaugurated our technology and innovation Centre in Bengaluru taking another firm step towards our digital transformation journey. The team's efforts are directed towards creating path-breaking and innovative solutions, that will enhance our technological capabilities and sharpen data interpretation and analytics. We are building a strong tech foundation for the company, and this tech centre will be instrumental in augmenting our offerings in the future.

We are certain that going forward, the targeted investments being made into the business will aid mid to long-term growth. As our overall revenue growth recovers, we remain confident that the margin recovery will be equally quicker.



As we focus on building robust long-term value, we are also taking significant steps to balance our near-term profitability and growth levels. We have recalibrated our investments wherever possible and will continue to do so, while making room for longer-term growth aspirations. I remain optimistic about the choices we are making as we navigate this phase.

On that note, I would now request Rohit to deep dive into the finer details. I look forward to interacting with you during the Q&A session.

Thank you. Over to you Rohit.

Rohit Gupta:

Thank you Punit.

Welcome everyone. I hope you had an opportunity to review our Q1 results which have been uploaded on ours as well as on the website of stock exchanges. I'll focus my remarks on providing more context to our Q1 financial performance and share our outlook.

As discussed during our last earnings call in May, FY23 was commencing on a challenging note and particularly the first half of the year was anticipated to see immediate impact of withdrawal of Zee Anmol from DD FreeDish, coupled with a difficult macroeconomic backdrop of heightened inflation, weak volume growth for Brands and resultant pressure on Ad revenues. Given all that setup, Q1FY23 performance was soft along the expected lines, however, there are encouraging bright spots across all key segments as well, and these give us confidence in the gradual recovery as we progress through the year.

We continue to be India's strong #2 TV Entertainment network and our viewership share is showing early signs of stability and recovery. The viewership share for the quarter stood at 16.1% and while that's 100 bps lower QoQ, adjusted for Zee Anmol FTA withdrawal, we have gained viewership share in Q1FY23 compared to previous quarter. In our assessment, our QoQ FTA adjusted viewership gain is ahead of every other TV network, reflecting early results of our focused efforts to gain network share. During the quarter, we launched 26 new shows. We have further strengthened our leadership position in Kannada, Telugu, and Bangla markets. Our key markets of Hindi, Marathi & Tamil GEC have series of launches and interventions planned throughout FY23 in order to improve our network share and we feel enthused about our moves and strategy in those markets.



On digital side, Zee5 is making steady progress in operating as well as financials metrics. Our Global MAUs and DAUs as on June 2022 stood at 103.3 mn and 11.3 mn respectively with average watch time of 196 minutes per viewer per month. All of these usage and engagement metrics are up YoY, strongly affirming our investments in content, technology and marketing. There is some moderation in MAUs on a QoQ basis and that's a result of us driving more focus on stickiness of the platform and optimising our overall performance marketing spend for better ROIs. Our Zee5 platform stickiness has further improved, as evident in higher DAUs QoQ. Our Q1 FY23 DAUs are highest ever. During the quarter, we released 38 shows and movies (including 8 originals) and are proud to be delivering real and relatable stories in line with our content strategy. A case in point, 'The Broken News' series, which premiered on June 10, marking ZEE5 and BBC India's first collaboration went on to become the most viewed original series of 2022 on ZEE5 and clocked 100Mn+ streaming minutes and 6Mn+ views in a week since its premiere. Several independent third-party datasets also continue to place Zee5 in top quartile of OTT apps in the country when it comes to installs, usage, stickiness etc. which is another testimony of our market leadership and strong momentum in Zee5. Zee5 has clocked a revenue growth of 43% YoY during Q1FY23, reflecting healthy traction and adoption. Zee5 QoQ revenue is flat as we have some B2B revenue trailing off, marginally impacting our Q1 revenues. As we scale Zee5, we are keeping a high bar on how best we monetize our content and what kind of subscribers are more value accretive in the long run for us. Zee5 offers a very compelling value proposition for subscribers and has also taken two price hikes – from 499 to 599 in mid March 2022, and a second hike from Rs 599 to 699 in mid – July, a total increase of 40%. We continue to evaluate B2B deals opportunistically and periodically when some of these deals conclude, it can cause QoQ variation on some of the Zee5 metrics. Our underlying Zee5 business momentum is very strong as captured in our YoY performance.

Now specifically coming to the financial performance, total revenue for Q1FY23 grew 4.0% YoY to Rs. 18,457 mn, from a low base of Covid impacted Q1FY22. Our revenues are lower by 20.5% compared to previous quarter, impacted by lower revenues across all key drivers of Ad revenues, Subscription revenues and Theatrical business. This is something we had alluded to in our previous earnings call and let me cover this in a bit more detail, so you have a better context.

Our Ad revenue for the quarter grew 5.4% YoY but were lower by 12.8% QoQ. QoQ drop was a function of two key items. First was the Zee Anmol FTA withdrawal from



1st April 2022 where we lost complete Ad revenues from this channel and second was the weak macroeconomic environment impacting Ad spends by Brands in our key target customer sectors like FMCG where the sector is seeing minimal volume growth and still navigating relatively high commodity prices and elevated CPI inflation. While this is something we had called out in our previous earnings call, as the quarter progressed, we have seen this trend intensify and Ad spend environment has turned out weaker than we had anticipated. Our Ad sales teams are focused on garnering higher shares from active spending categories, solution-led deals and other levers such as right client-mix to minimize the impact through this phase. We are hopeful for Ad spending to revive in the second half of the year as domestic demand picks pace post Monsoon and with onset of festive season.

Subscription revenue for the Quarter was lower by 5.1% YoY and 9.7% QoQ. There are two key factors here. As discussed in past, in the absence of a clear way ahead on NTO 2.0, near-term outlook for subscription growth remains subdued. Secondly, our Q1FY23 subscription revenue is also impacted by timing of some of our B2B deals and renewals across digital and other businesses and that's why Q4 vs Q1 delta is higher. B2B revenues by nature tends to be lumpy and we expect some of the accretive subscription deals to convert in the due course, which will help soften the pressure on subscription revenue trendline somewhat. On TV subscription revenue outlook, in June 2022, TRAI has proposed a new schedule of NTO 2.0 envisaging the implementation by Nov 2022. We will continue to monitor NTO 2.0 guidelines and will be prepared to implement the same for improved longer term revenue outcome.

Zee Music Company saw 45% YoY growth in the video views to 21.3bn, highlighting strength of ZMC music catalogue and library. YouTube Subscriber's base of ZMC increased to 85.3mn from 75mn in last 12 months. ZMC continues to be the #2 music channel and has a very young & new age catalogue with very high consumption.

Coming to the movie business, during the Quarter, Zee Studios released 6 movies (2 Hindi and 4 regional). Compared to Q4FY22 which had big box office hits like The Kashmir Files, Valimai, Bangar Raju etc., Q1 FY23 was a muted quarter for Theatrical business, driving much lower QoQ revenue for "Other Sales and Services". In the quarters to come, we have strong pipeline of movies under different stages of production.

Switching gears on costs and Profitability, as we navigate these revenue headwinds I spoke about, we are driving even sharper focus and prudence on optimising our



overall costs and investments, while creating room for investment in content, technology and marketing for new launches and initiatives. During Q1FY23, our EBITDA margins came in at 12.8%, lower by 660 bps YoY and 820 bps QoQ. This is primarily a result of lower revenues flowing through, given nature of our cost structure and operating leverage we have in the business. Its primarily a revenue led softness and we are confident that as and when the macroeconomic environment and Ad spends improve, we will also benefit in equal measures. ZEE5 EBITDA losses for the Quarter stands at Rs. 2,352mn. Losses were high YoY and QoQ as we continue to invest in strengthening our Zee5 value proposition in-line with our investment strategy.

The exceptional expenses incurred during the quarter is towards DSRA liabilities wherein we have estimated and accounted additional liability to the tune of Rs. 150 mn in Q1. Also quickly touching upon the receivables from Dish and Siti. As you will recall we had agreed a payment plan with Dish and we've continued to collect as per that schedule, receiving current collection along with receiving the part of the old outstanding. This outstanding has substantially reduced from Rs. 5.8 billion as on March '20 to Rs. 1.9 billion in June'22. On Siti as we had mentioned earlier, we have been recognizing revenues to the extent of collection on a conservative basis. On account of a pending legal proceeding, amounts aggregating Rs 352mn (net) are yet to be collected and accounted for, of which Rs. 155 mn is deposited in court by Siti.

PAT for the Quarter came in at Rs 1066 mn.

The cash & treasury investments of the company as of Jun'22 stood at Rs 11.3bn. The cash & treasury investments include bank balance of 4.5bn, fixed deposits of 6.5bn, and NCDs worth 324mn.

To sum up, while we had a challenging Q1 along expected lines, we expect our financial performance to gradually improve as we progress through the year. As revenues scale up in subsequent quarters, we will expect margins to start inching up. Growth revival is our key focus and while Q2 will see recovery from Q1 levels, H2 is where we expect pace of recovery to really gain momentum.

Back to you Mahesh.

Mahesh Pratap Singh: Thanks Rohit. Steven we can open the questions and answer. Would you just instruct participants for Q&A.



Moderator: Thank you very much, sir. We will now begin with the Question-and-Answer Session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on the FTA and market share. So because currently there is a rural slowdown, is there a rethink on FTA and are all the 4-5 large broadcasters also following this and are they also maintaining the discipline? Because in the past also we have seen that the discipline gets broken and if the macro would not have worsened when do you think the FTA Anmol removal would have been compensated by the subscription revenues? I understand the macro has changed but if you could answer all these questions.

Punit Goenka: Firstly, on the FTA side, we have taken a collective call as an industry. It's not about just one player or two players that we will support this in favor of the subscription revenue growth that we want to see. As the removal has been just about 4 months, still early to talk about the impact it would have had. In the normal circumstances we had anticipated that at the end of 1 year we could have recouped at least 40% odd from the subscription uplift that the DTH operators were estimating and the balance part of that would have to be recouped from the advertising piece.

Abneesh Roy: If I see Punit, the market share ex of the Anmol impact of 100 bps, the market share has been stable last three quarters at 17.1 to slightly down 17.5-17.8. My question is you have significantly invested in seeing this as a challenge but it has not fructified. So, what is the issue and you have in the past managed to address market share issue this time what is different?

Punit Goenka: I think it's just a matter of sheer implementation issues Abneesh. We've not had as successful run this time around and also there have been certain people issues that we have to face in the market. But rest assured we are addressing them and I'm pretty confident that this year is the year where you'll see the market share returning back.

Abneesh Roy: My second question is on the movie production business. We have seen your Kashmir Files did really well in Q4 but as an industry also we are seeing last 3 months almost every Hindi movie well below expectation, latest is of course Laal Singh Chaddha and whatever the reasons are, my question is you're saying you have a strong pipeline but because either ticket pricing at the multiplexes is too high or content in Hindi has become too niche, south Indian movies are doing well because they may have a more mass appeal. So, are you doing anything proactively so that this issue doesn't impact your strong pipeline either in terms of content, make it more mass or whatever it



takes? So, your analysis why 3 months of complete nonperformance or Hindi movies across the board?

Punit Goenka:

I think it's a function of multiple things as you rightly pointed out. One is ticket pricing, the second is the consumer also knows that rather than paying the heavy ticket price if the movie doesn't get really good word of mouth, you can just wait for 4 to 8 weeks and then consume it on OTT or wait for television. These are two reasons that I can talk about but third reason also is an oversupply of films. Today every weekend we are getting a plethora of new films being released and therefore the audiences are getting divided and the performance is showing that. I do not believe that south Indian films are doing anytime better than Hindi films. There are equal fair share of loss-making films in the south also. What we are doing from our strategy point of view, Abneesh, was from the day one we had taken a strategy that we will be a pan India film production company and therefore our portfolio or our portfolio of films spans across 5 to 6 languages. So Hindi, Punjabi, Marathi, Telugu, Tamil and even Malayalam now we are entering. We are trying to balance our portfolio out in a manner that we can be a pan Indian player just like we have been on television and our OTT business.

Abneesh Roy:

My last question is on ZEE5. So, when I analyze a lot of data you're giving, one thing is coming out. Your DAU has seen a very consistent and good jump past few quarters from 9.6 million to 11.3, that's a good jump. Quarter-on-quarter also good jump. When I see MAU, it has remained stable in a very narrow band for the last three quarters, quarter-on-quarter some dip is that there. My question is why monthly average user there is a fatigue factor and why that is not reflected in DAU? You have explained that there is more stickiness but why that's not reflected in MAU? Is it because mobility has come back, so customer has less time at home, he's traveling etc. whatever the reason I want to understand that. Second is this B2B deals getting impacting your business, that is something which has happened earlier also. So, is there something proactive you can do there or it's a part of life, you can't do much there?

Punit Goenka:

First is MAU stabilizing is a strategically chosen thing that we have done. We are spending our marketing dollars purely on acquiring customers for the app and we do not spend money for the progressive web app that exists there. Our focus is to get maximum amount of consumption done on the app or the app downloads and that's where the stickiness also comes into play because the app has far more stickiness



than the web. So that's the second part. Because we are a late entrant, the B2B deals are yet finding their own, what is the right value to do the B2B deals etc. for us. So, it's a two-way thing. We don't want to get into long term deals when we know that our platform is getting better day by day and therefore the B2B partners don't want to do short term deals. It's a kind of a negotiation that we are witnessing. Hopefully once we have established our credibility etc., we will find the right balance and the right price points in which we will be also happy and even the B2B partners will be happy.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Can you help us understand what was the ad revenue, underlying ad revenue if one were to adjust for the FTA which has hurt this quarter? So to understand what is the underlying growth and the related question to that is can you help us understand the sub industry—we understand that FMCG was going through trouble—but how has the other industry like auto, telecom, new commerce how have they performed? Is there any very different ad spending behavior within the subsegment? So that would be my first question.

Punit Goenka: I'll take the second question and the first one I'll give Rohit to answer for you. In terms of advertising sectors FMCG is the largest advertiser on television and more so for a network like ours which is a very female skewed network. As you know we don't have a sports bouquet in our portfolio and therefore our dependence on FMCG is far greater. All the other sectors like auto, consumer durables, telecom etc. constitute anywhere between 6% to 8% of the total ad spends in the market. They don't really skew the spending as much. They have been in the same ballpark maybe 100 bps plus minus. But it is the FMCG sector that is the main call and that's why it is hurting us even more. Rohit, you want to take the first one?

Rohit Gupta: Actually, quite frankly there is a seasonality factor in Quarter 1 as well and we have the macroeconomic headwinds also facing this quarter. So, there is no specific number but like I mentioned in my opening remark, had we not had the Zee Anmol withdrawal our network share would have actually gained. Really the overall impact is about 100 bps on market share and so you can calculate what that impacts on the revenue.

Sanjesh Jain: Second on the subscription side, on this particularly B2B first. It looks like what's the revenue recognition methodology, it's a one-time or we spread across the quarters



of the contract and what is the general terms of the contract there? Is it 1 year contract or a 6-month contract? How does it really work?

Punit Goenka: We generally sign only 1-year contracts with any B2B partner. The revenue recognition is for the term which means monthly or quarterly whatever that is we recognize on that basis.

Sanjesh Jain: One can say that the underlying ex of this B2B, we are flattish on the subscription revenue. Will that be a fair assumption and majority of this decline has largely come from the B2B side of it?

Punit Goenka: No, on the ZEE5 part you're asking or you're asking me on the subscription revenue?

Sanjesh Jain: I'm asking on the overall subscription revenue.

Punit Goenka: Overall subscription revenue there is a decline.

Sanjesh Jain: There is an underlying decline, ex of even this B2B category.

Punit Goenka: Yes.

Sanjesh Jain: My last question is on the programming cost. I can understand this quarter hasn't been that great. Our theatrical release has not done that well. Is that one of the reasons why the revenue costs are not matching and hence margin could drastically improve going into Q2-Q3?

Punit Goenka: We've not had any big film in this quarter, so it's nothing relating to theatrical business. But on the television content and the digital content Rohit you want to give a view.

Rohit Gupta: Quite frankly, I think the percentage of programming to revenue is also in a stable business the parameters have not changed and like I said our investments continue to be in the same proportion as we had done in the last few quarters. If you're comparing year-on-year, of course last year same quarter was impacted by COVID, so they're really not comparable. There are no specific increase on the programming side. We continue to invest in our linear programming like as I said 26 new shows were launched. So, we are really in the same line.



- Sanjesh Jain:** One last book keeping question. The movies what we are producing now contribute close to 1,000 crores of the total inventory. Any ballpark number where you think this will peak out or do you think there is a few more addition to come in the investment as far as movies are concerned?
- Rohit Gupta:** No actually movie investment, there are some delays in the launches that we have seen in movies and like I said there is a good slate in movies we already have and this is all rotational business. So whatever investment that we make in movies come very quickly back and the ROI is good, I don't expect any more investments going in movies unless there is an issue. It will probably remain at this level as well.
- Sanjesh Jain:** Rohit as you said getting into Q2-Q3 where we will have more theatrical releases, this inventory should release, right?
- Rohit Gupta:** Yes definitely. As the movie release happens there will be a release of inventory in Quarter 2 in the subsequent quarters. However, let me just add that while we release on the theatrical side there may be additions on the satellite and digital side.
- Sanjesh Jain:** But that will be very small portion of overall movie cost, in metrics side?
- Rohit Gupta:** We have maintained that, ideally, we would like to amortize the inventory as much as we add during the year. This is right now an investment phase for digital and therefore there are some additions that are there but if you see overall, we have increased inventory by about 370 crores during the quarter and out of that about 250 crores is coming in from the films production which is there in the IR pack.
- Moderator:** The next question is from the line of Jinesh Joshi from Prabhudas Lilladher.
- Jinesh Joshi:** I have a question on the domestic subscription side. If I look at our revenue this quarter it was down by about 7.4% year-over-year but in the past few quarters, the decline has been in the range of about 1% to 3%. I know you mentioned something about B2B deals not fructifying this time around but apart from that is there any other specific factor which we should ideally be looking into? Because the decline appears to be slightly steep vis-à-vis previous quarter?
- Punit Goenka:** No nothing that we can point any fingers to right now because it's too short a period. If we see any trend we will certainly come back to our guidance.



Jinesh Joshi: Secondly with respect to inventories I think this got addressed in the previous question, despite a jump from about 6,300 crores to about 6,700 crores in this particular quarter; what I was trying to understand is that the cost of that movie typically gets expensed immediately on theatrical release. The question was again if you can just help us clarify that if only six movies are released then once this release happens in the subsequent quarters, will we see inventory drop down substantially?

Punit Goenka: Inventory has multiple functions. If the inventory of the films that is being produced and released so we write down immediately the theatrical portion of the film but when it moves to the satellite rights and digital rights, it gets capitalized therefore, as a satellite right or a digital right. But it's not only our own films that are getting released. We do buy films from outside as well which are only for the purposes of satellite and digital and music for our other verticals. So, they two are not related entirely. The increase in inventory could be also for the reasons of buying films from outside.

Moderator: The next question is from the line of Vivekanand from Ambit Capital.

Vivekanand: One is the viewership share before also we had taken channels of free dish in FY20 prior to COVID. At that time our viewership share was around 18.5%. So, to that extent that number and the current 16.1%, are they comparable? Just to understand better that's question one. Secondly if I look at slide #5, it appears that the weekly impressions and weekly reach of TV have marginally declined and just wanted your perspective on this data and what should one infer based on this? And thirdly in terms of the receivables that are outstanding from related parties, if you can give an update on that, that will be very helpful.

Punit Goenka: So, on your first part on the viewership share pre-COVID and the current viewership share the two are not comparable because the BARC Universe keeps changing and if I remember correctly in 2021, we had a reset in the BARC Universe where they had added based on the IRS survey that was conducted in 2019. So that data you can get from BARC as to when the universe changed and therefore you will get your answer from there. On your second question about impressions, you're right that impressions have fallen this quarter but it's largely on account of time spent and which is impacted due to the severe power shortage, a large part of the country is witnessed during this summertime and we are hopeful that, that will correct over a period of time. Yes and on receivables from related parties, Rohit?



- Rohit Gupta:** I actually covered this during my opening comment. If you are pointing out more towards Dish and Siti which actually are not related parties, I did mention that as far as Dish is concerned there is an agreed payment plan which they are adhering to and there has been movement as per the payment plan and therefore everything is in line and current receivables are at 1.9 billion. As far as Siti is concerned we only recognize revenue on cash-and-carry. There are no other meaningful related party receivables.
- Vivekanand:** So, Punit, thank you for the perspective on the new Universe of the BARC incorporating the IRS data. Would you have a sense on what our like-for-like viewership share would be now versus pre-COVID, PAN-India share of entertainment viewership because we are unable to make that adjustment ourselves given the change due to spike?
- Punit Goenka:** Pre-COVID the reason for that I would not be able to share with you right hand because if you look at the pre-COVID numbers we were at 18.3% and as we entered COVID, our viewership share fell almost to less than 16% and then started growing again but this is a function of how many households got added to the universe and then the consumption pattern. For a deeper understanding of that you would have to understand the BARC system. We can obviously help you with that. That's not a problem but it's something we can take offline. Mahesh you can probably do that and maybe introduce him to somebody at BARC who can show him how these things happen.
- Mahesh Pratap Singh:** Sure.
- Vivekanand:** Just Rohit to your point on Siti there were two sets of issues, one was the DSRA guarantee and the other one was the receivable. In total how much of the past receivables and guarantees outstanding to Siti are unprovided for? We made certain provisions this quarter I understand, but how much is left to provide?
- Rohit Gupta:** As far as Siti is concerned to the extent what our DSRA guarantee was given to that extent the entire amount has been provided for so there is nothing which is pending there. As far as receivable is concerned like I mentioned we had taken a provision and it is mentioned in the notes to account as well about 199 crores provision we had taken on the opening side. After that we have been only on cash-and-carry and therefore as collections come, we recognize revenue. There is no outstanding from Siti, its zero.



- Moderator:** The next question is from the line of Arun Prasad from Spark Capital.
- Arun Prasad:** Punit, I was asking about the subscription revenue decline. Even after adjusting for the growth in ZEE5 revenue on YOY basis there is a large decline on the linear TV. Is it indication that cord-cutting is accelerating in India? That means if more and more people are not subscribing to our channels and this is probably the industry wide phenomenon, is it also the reach is also getting affected because of this and again that will have a bearing upon the ad revenue growth?
- Punit Goenka:** So, if you look at the reach for the last three quarters has been pretty stable. There was a marginal dip four quarters back. Therefore, we cannot attribute this to any cord-cutting. It is basically lesser consumption that's taking place which means time spend is lower. People are not able to spend time in front of the television set and the reason we have attributed to that, is the majority power cuts that were witnessed in several cities and states of the country during the heat wave as well as the whole power supply shortage.
- Arun Prasad:** Do you expect this to be bounce back in couple of quarters?
- Punit Goenka:** Certainly. I don't see any reason why to people will not change their habits just because of one quarter's non-availability of TV.
- Arun Prasad:** My second question on this FTA withdrawal. Although this is coinciding with the lower spend from FMCG side on hindsight it looks like we could have timed it better but at what point of time in the future you will re-evaluate your decision on this withdrawal and probably try to re-enter this market? Or is it like a done case when it comes to rethinking about entering into the segment again?
- Punit Goenka:** I think we have to give it a patient test of the trial whether the Pay TV market comes back or not I don't know; you may have seen already a lot of DTH operators have slashed their entry prices by anywhere between Rs. 50 to Rs. 75. We do believe that this should see a revival in the Pay TV households again. But we'll have to be patient and if we realize that is not the case then we will re-evaluate whether to go back in the FTA space and in what way to go back in the FTA space. It does not have to be just re-runs of our existing shows. We may have another strategy there.
- Arun Prasad:** My last question is on the IPL. The overall ecosystem level, today IPL is three times bigger than the last previous cycle in terms of media rights and also in one way or



another way India as a whole, Indian audience as a whole has to shell out three times more either in terms of advertisement or subscription revenue. And we as a company are not present on both. How we are going to mitigate this? Probably at some point of time the advertisers may say I don't have a budget to spend on the non-sports or I had to reduce my budget on the non-sports content. It may not happen immediately but third or fourth or fifth year this may happen. How we are going to mitigate this? Any thoughts on this?

Punit Goenka:

Firstly, just a minor addition to what you said, Arun that IPL cost went up by three times not necessary that you have to pay three times. That's your choice and the advertiser's choice whether they wish to pay 3X over what they paid over the last 5-year cycle or not. Secondly my viewpoint is yes, the sports ad-pie is increasing in the country. It is already close to 25% to 30% and that's why if you remember or you may recall from the earlier calls, I had stated that we want to re-enter the sports business because that's the crucial genre and segment that we have to be present in. As far as the advertisers thinking that because they have to shell out more money on IPL, they would not have money for spending on non-sports channels. Very difficult for me to understand that how can an advertiser advertise for 60 days and then for the rest of the year not advertise at all? At the end of the day, they are in the business of selling product every month, every day and therefore the advertising function is also of every day and every month.

Arun Prasad:

Basically, what you are saying is that overall advertisement spend from the company has to be increased, is that understanding right? Or the IPL bidders have to take some loss. something like that?

Punit Goenka:

Well, I mean that, I don't know what their strategy will be but that's for the advertiser to decide what they want to do.

Moderator:

The next question is from the line of Aditya Chandrashekar from UBS.

Aditya Chandrashekar:

A couple of questions from my side. Firstly, on the viewership share on the linear side. Even if you adjust for this FTA removal it's stayed at around 17%-17.1% right? So just wanted to understand more specifics on what you're doing to increase this and what will it take to get it back to an 18%-18.5%? Which markets you'll have to target? What kind of content are we losing out on etc. So that's my first question. Second question if you could just comment on these inflationary pressures, we saw in Q1, how are things on the ground now in Q2 so obviously commodity prices have cooled off etc.



Are we seeing a better ad spend and more ad investments from the FMCG companies in Q2? Just wanted to understand that.

Punit Goenka: On the market share side, the only way to get it back is to do better content that is far more engaging with the viewers and we are focused on the markets of the flagship Hindi, Marathi and Tamil. These are the three areas where we are completely focusing on. In terms of kind of content, as you know the obvious mix is still soap operas dominate the content on these GEC channels of course sprinkled with some garnishing of the non-fiction shows and we will continue the same route. On the inflationary pressures because Q2 has just started, we have seen some amount of positivity but nothing that gives me a trend that the worst is behind us. I think we have to still wait and watch for a few more months. We will be better able to guide you in the next quarter.

Moderator: The next question is from the line of Vivekanand from Ambit Capital.

Vivekanand: Would it be possible for you to explain to us how the inventory, the duration of the inventory in terms of movies? I mean obviously we know the amortization policy is 5 years for movies and less for other content. So, at an aggregate movie shows and content inventory, is it possible to quantify in terms of how much, what is the duration of that? That's question one. Secondly in terms of the music business you put out a slide on that. Can you talk a little more on that? What kind of revenue growths there? What kind of monetization schemes you are seeing there and give us an update there?

Punit Goenka: The average age of the inventory will be difficult for us to give you right away but I am sure Mahesh can share with you offline. The music business is seeing good growth.

Do we have the numbers? The growth numbers on the music company?

Mahesh Pratap Singh: Let us check that. We have our video views growth, but revenue growth, we don't share.

Punit Goenka: Vivekanand you can take off-line with Mahesh please. We don't have the numbers here right now. We have the growth number in terms of the video metrics, but the revenue is something we don't share.

Vivekanand: Sure. Okay, I will take this offline.



Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participant, I now hand the conference over to Mr. Mahesh Pratap Singh for closing comments. Over to you sir.

Mahesh Pratap Singh: Thanks Steven. Thanks everyone for joining us today on our earnings call. We hope all your questions were answered. If there are any further questions, please feel free to reach out to us. Thanks, and looking forward to speaking with you next quarter. Have a great evening and great weekend. Thank you.

Punit Goenka: Wish you all a Happy Independence Day.

Moderator: Thank you. Ladies and gentlemen on behalf of Zee Entertainment Enterprises Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.

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