



Extraordinary Together

February 17, 2023

The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code Equity: 505537

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: ZEEL EQ

Dear Sirs,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Conference Call with Investors

This has reference to our intimation dated February 13, 2023, informing that the audio recording of the Conference Call with Investors, to discuss the Company's performance for the Quarter ended December 31, 2022, is uploaded on the website of the Company.

Please find enclosed the transcript of the above conference call held on February 13, 2023.

The said transcript has also been uploaded on the Company's website www.zee.com.

The above is for your information and record.

Thanking you,

Yours faithfully,

For Zee Entertainment Enterprises Limited

Ashish Agarwal
Company Secretary
FCS6669

Encl: As above



Zee Entertainment Enterprises Limited

Q3 FY23 Earnings Conference Call

February 13, 2023

Transcript

MANAGEMENT:

Mr. Punit Goenka – Managing Director and CEO

Mr. Rohit Gupta – Chief Financial Officer

Mr. Mahesh Pratap Singh – Head Investor Relations

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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY'23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mahesh Pratap Singh, Head of Investor Relations, Zee Entertainment Enterprises Limited. Thank you, and over to you, sir.

Mahesh Pratap Singh: Thank you, Yashasvi. Hi, everyone. Welcome to our Q3 FY'23 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'll subsequently open the floor for Q&A session. Before we get started, I'd 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 now hand the call over to Mr. Goenka for his opening remarks.

Punit Goenka: Thank you, Mahesh. Good evening, everyone. I hope all of you are doing well, and I'm glad to connect with you all this evening. As always, I will share a brief outline on the company's performance indicators, post which our CFO, Rohit Gupta, will take you through the financial and operating metrics in detail.

Before we begin, I would like to apprise you on the progress of the proposed merger between Zee and Sony. As you are aware, we have received approvals from the stock exchanges, Competition Commission of India and the company's equity shareholders. The teams at both ends are focused on completing all the required legal and regulatory processes mandated as per law. Our focus remains on concluding these processes in the most appropriate and timely manner, and we stay committed to building a value-generating institution for all our stakeholders.



Speaking about the industry at large during the third quarter, the M&A sector continued to display immense potential and several growth opportunities across key segments. Keeping pace with this momentum, the company has also continued to make good progress with healthy growth in the digital business and share gains in some of the key channels during the quarter. This mirrors the success of the team's concerted efforts to strengthen our offering across markets, and we continue to maintain sharp focus on delivering a robust content slate to consumers.

Our recent re-entry in the sports business with the inaugural addition of the IL T20 has augured well for the company and has drawn a positive initial response from the viewers and advertisers alike. We aim to further build onto this momentum and elevate audience excitement, viewership and economic muscle for the sports business. Even as the structural growth scenario appears positive in the mid- to long term, we remain cautiously optimistic on the near-term advertising revenue outlook. The overall sentiment continued to be soft this quarter as well, which has resulted in muted advertising revenue growth across the sector. While the macroeconomic environment and inflationary headwinds are gradually easing, key brands and advertisers across categories restrained their spending.

Given the fact that we have relatively high exposure to FMCG advertisers and Tier 2, Tier 3 audiences, our advertising revenue sensitivity to rural demand and consumption is more pronounced. We remain hopeful that the steps announced by the Honourable Finance Minister in the budget 2023 will spur broad-based demand and lead to a quicker recovery in the overall ad environment.

On the subscription front, the long standstill on the new tariff order has been impeding growth and impacting our profitability. That said, NTO 3.0 being implemented from 1st February 2023, we look forward to driving subscription revenues growth post implementation in the most effective manner. At Zee, we continue to focus our energies on building a future-ready portfolio, which is well poised and diversified to capitalize on the opportunities as the overall market sentiments improve.

On that note, I would like to hand over the session to Rohit to share finer details on the company's performance during the quarter. I look forward to interacting with you all during the Q&A session. Thank you. Over to you, Rohit.



Rohit Gupta:

Thank you, Punit. Hello, everyone, and welcome to our Q3 FY'23 earnings call. I will briefly touch upon financial performance and outlook. Starting from an operating environment perspective, we continue to see curtailed ad spending by FMCG brands during the quarter. While October did see a very brief pickup due to festive season, subsequently, spends have continued to taper off. We believe this is a cyclical slowdown and as demand recovers, we will see pickup in TV advertising.

TV still remains the most relevant mass media brand building avenue with unparalleled reach. We are utilizing this period to strengthen our business to capitalize on the opportunity as the tide turns. On linear business, we continue to be India's strong #2 TV entertainment network, and our viewership share for Q3 FY'23 was at 16.2%, marginally lower by 20 bps quarter-on-quarter. We have gained share in several key markets, including in Zee Tamil which has been a consistent growth story over last couple of quarters. Zee Marathi performance still remains subdued, and team is focused on stabilizing and rebuilding our network share there in coming quarters.

On digital side, ZEE5 has posted yet another quarter of growth across financial and operating metrics. Our Q3 FY'23 DAUs are highest ever at 11.5 million. Original content is being well received and ZEE5 app user experience has seen significant improvement. All of these are strong affirmation of our investment in content, technology and marketing. ZEE5 has clocked a revenue growth of 33% year-on-year during Q3 FY'23, reflecting healthy traction and adoption.

Now specifically coming to the financial performance. Total revenue for Q3 FY'23 are up 4.1% quarter-on-quarter and were flat year-on-year. Our ad revenue for the quarter grew by 5% quarter-on-quarter, aided by festive season spending but are lower by 16% year-on-year. On year-on-year ad revenues in addition to the macroeconomic factors previous year Q3 also had a stronger festive season and Zee Anmol FTA ad revenue, which we withdrew from 1st April 2022. Subscription revenues for the quarter were up by 13% year-on-year and 9% quarter-on-quarter.

Q3 FY'23 subscription revenues were aided by underlying organic growth in ZEE5 and recognition of INR 59 crores amount from Siti Network, including INR 10 crores of GST, so net revenue of INR 49 crores. On recognition of subscription revenues from Siti Network, while we have recognized revenues as a conservative practice, we have also provided INR 59 crores amount receivable, including GST in exceptional items to be consistent with our cash and carry approach.



Zee Music Company saw 246% year-on-year growth on video views, highlighting strength of ZMC music catalogue and library. YouTube subscriber base of ZMC increased to 92 million from 80 million a year ago. ZMC continues to be #2 music channel and has a very young and new age catalogue with very high consumption. ZMC also continues to acquire 50% of new Hindi movie titles.

Coming to the movie business. During the quarter, Zee Studios released 9 movies, 5 Hindi and 4 regional. While the content performance remained soft, syndication revenues were healthy, driving 148% year-on-year growth in Q3 FY'23 in other sales and services revenues, albeit on a lower base of Q3 FY'22. During the quarter, our content inventory and advances were largely stable at INR 79.5 billion. We have a strong 2023 pipeline of movies under different stages of production.

Now moving to cost and profitability. During Q3 FY'23, excluding exceptional items, our EBITDA margin came in at 16%, quarter-on-quarter improvement of 135 bps, but still lower by 668 bps year-on-year. We continue to be focused on prudent cost management across the business and are hopeful that when the macroeconomic environment and ad spread improves, our margins will recover from these levels.

ZEE5 EBITDA losses for the quarter stand at INR 2,820 million largely stable compared to Q2 FY'23. From an outlook perspective, we will continue to invest in strengthening our ZEE5 value proposition in line with our investment strategy, and expect ZEE5 to be in investment mode for the next few years.

Also quickly touching upon the receivables from Dish, outstanding has substantially reduced from INR 5.8 billion as on March '20 to INR 1.06 billion in December '22. PAT for the quarter came in at INR 243 million. Net profit for the quarter was impacted by exceptional items aggregating to INR 169 crores.

In addition to provisions for Siti subscription revenues, we have accounted INR 68.9 crores for merger-related expenses, INR 25.5 crores provisioning for principal outstanding from Zee Learn NCDs and INR 16.2 crores provision towards DSRA. The cash and treasury investments of the company as of December '22 stand at INR 6.7 billion.

The cash and treasury investments include cash balance of INR 4.6 billion and fixed deposits of INR 2.1 billion. To sum up, while Q3 festive seasonality hasn't been strong, we have shown some sequential improvement in a challenging backdrop, which is



encouraging. Ad revenue growth revival is our key focus, and we are hopeful of a gradual improvement in this spending environment. Back to you, Mahesh.

Mahesh Pratap Singh: Thanks, Rohit. Yashasvi, we will open the Q&A session.

Moderator: We have a first question from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: I have first question on the P&L and balance sheet. So firstly, on the P&L, there is an exceptional item of around INR 166 crores odd. I wanted to understand the three, a bit more in detail, why now? Second is your cash and investment is down in the 9 months from around INR 1,297 crores to around INR 672 crores, almost half. So where does this go from here? I understand the slowdown in advertising and your upfront investment across many of your channels and OTT. But from here on, next 1 year, where do you see your cash and investment.

Rohit Gupta: Thanks Abneesh. Like I said, the exceptional items has 4 key elements to it. The first one is, as I said, we have recognized revenue of Siti to the extent of INR 59 crores, including GST. And we have also taken a similar provision which has been reflected in our exceptional items. That is the first part.

The second is there were NCDs from Zee Learn, which we have impaired, which is about INR 255 million. And then there is merger-related costs, which includes legal, professional and other item integration etc., which is about INR 689 million. And then there is a provision for DSRA, which we have been doing in earlier quarters. And as in terms of the contractual agreement, we continue to provide for it. So that is about another INR 162 million. So that is the breakup of the exceptional item.

As far as cash, so if you see in this quarter, the cash primarily reduction in cash is because there's a dividend payout that has happened to the tune of about INR 300 crores. Quite frankly, this quarter, there is a free cash flow of INR 100 crores plus that has happened. But over the last 9 months, primarily because we have seen dip in advertising revenues, and that is one reason why, of course, it has impacted our profitability and our cash as well. And like we said, the key is the turnaround of the advertising revenues as the advertising revenues improve, our profitability will also improve, and that will also have a positive impact on our cash.



Having said that, we have been making investments in ZEE5 in both on the content side in technology and marketing, and that investment will continue because we see that as a growth area.

Abneesh Roy: Sir, one follow-up on that. The merger cost of INR 68 crores seems quite high. What exactly is it? And merger costs and NCDs say on Zee Learn or, say Siti Cable, any more recurring item because we had understood that any more group level issues are mostly done. So why this fresh issue? And can again more issues happen from group companies.

Punit Goenka: Yes, Abneesh, on the Siti part, because we are on cash and carry, the billing has happened of the INR 59 crores that Rohit talked about. But because the cash is not received by us, then it's parked in either court or in FDs with the banks, which are earmarked for us, good prudence governance made us take the decision to provide for it. Zee Learn is a one-off, there is no other outstanding against that, Rohit correct me if I'm wrong. And so there is not going to be anything else. On the merger-related issues, Abneesh, you can take it off-line with Mahesh in detail?

Rohit Gupta: Yes. So like I said, just to add to it, this includes merger transaction, integration planning, several other functional work stream specific to the merger. And this is a big merger. So these expenses look high. But in terms of the overall merger, this is what it is.

Abneesh Roy: My last question is on advertising. So when I see the FMCG ad spends in Q3, we have obviously not seen a 15% cut in their advertising spend. There are other sectors, I do understand that. But what's the strategy now in Zee Anmol because say, 6% to 7% of the advertising impact is clearly there from there also. So you are now seeing improvement in your subscription revenue with the new approvals, etcetera, which are coming in terms of NTO 2 also. So on Zee Anmol, any refurbished strategy given the impact is quite high. And rural slowdown, we don't know. As of now, it is still very early green shoots. In that scenario, any rethink on the FTA strategy?

Punit Goenka: No, Abneesh, no rethink on the FTA strategy because since April 2022, when we went off free to air, we have actually seen the stabilization of the paid subscriber base on both cable and satellite. So therefore, going back so soon, would, in our view, will hamper the potential growth for the pay, which is going to come back after 3 years with the NTO 3 implementation. So nothing as of now.



- Moderator:** We have a next question from the line of Vivekanand S. from Ambit Private Limited.
- Vivekanand S.:** So in your consolidated notes to accounts, you mentioned that you have billed subscription of INR 68.49 crores from Siti, and you have booked provision of INR 58.4 crores. So does this mean that you received around INR 10-odd crores from Siti during the quarter? I'm just trying to understand this note better.
- Rohit Gupta:** I'll take this one. So we have -- the total amount that was billed was -- you're right, about INR 68 point some crores, and the revenue that we have recognized is actually based on the amount that Siti has either deposited in the court or the fixed deposits that they have made, which is earmarked for Zee. So based on that, because the amount to which they have done is about INR 59 crores. That is why we have taken revenue of INR 59 crores. And a similar amount has been provided for which is shown in the exceptional items.
- Vivekanand S.:** Rohit, you're saying that this INR 68.5 crores is the billing, you were supposed to recognize INR 58.4 crores, but since you have not received that money you are providing for it. Is it?
- Rohit Gupta:** That's right.
- Vivekanand S.:** My second question is on the Zee Learn NCDs, when was this investment made?
- Rohit Gupta:** So as you can see from the note, the Zee Learn NCDs were guaranteed by Zee and these were actually taken over by Zee in 2020. We have been receiving payments from Zee Learn to the NCDs and the amount had come down from INR 45 crores to INR 25 crores. But having said that, in the last few months, we have seen that the amount was one, not coming in. And secondly, because there is an insolvency admittance that NCLT has done for Zee Learn, based on which we have taken a call to provide for it.
- Vivekanand S.:** So third question is the guarantee. I mean, DSRA guarantee, clearly, there is still some amount that is unprovided for. And we see that every quarter there is some additional provision that we are taking for this. And I believe the number for the current quarter was INR 16.2 crores. So why not take the provision entirely in one quarter so that in this 1 hour of conference call discussion, you can focus on the business items rather than every quarter just jump through to understand the numerous exceptional items.



Rohit Gupta: For DSRA, all the matters are sub judice right now. And we are providing for as per the terms of DSRA, so DSRA with various banks, there are certain DSRA terms. And based on that, we are providing, as and when they become due we provide for it every quarter.

Vivekanand S.: I see. Okay. And was that the same with Zee Learn, or was that your choice that you decided to provide for it this quarter?

Rohit Gupta: With Zee Learn, like I said, there was a trigger in this quarter. And based on that, we decided to take the provision.

Moderator: We have our next question from the line of Jinesh Joshi from Prabhudas Lilladher.

Jinesh Joshi: I have a question on the subscription business. The revised RIO that we have filed basically shows a price hike in double digit, especially in some of the bouquets down south. So going by this trend, can we expect a very strong growth in the subscription business in the first year of implementation itself like we had witnessed for NTO 1.0, that is one.

And secondly, can you also share the rationale behind pricing? I know viewership is probably one of the factors, but is there any maths linked to it because in some of the bouquets price hike is quite steep. Yes, this is my first question.

Punit Goenka: Yes, if you recall, because we have not been able to take any price hike for the last 3 years, and we have launched the maximum number of channels within those 3 years, that means we were not able to price them into our bouquet itself. That is the other reason other than viewership itself. That's the only reason it looks like that steep. We have factored that into our calculation. But of course, the resultant growth for the company overall, All India level will not be that high. It will still be moderate single digits, as I've been saying to you.

Jinesh Joshi: My second question is with respect to the response to the inaugural ILT20 lease. Is it possible to share any viewership data or probably any data point with respect to ad or give some perspective on a profitability time line in the context of amount that we have paid to get the rights.

Punit Goenka: Yes. So the ILT20 inauguration session has been received quite well. Ratings data is available in the BARC system. You can get it from there. I would not have it -- we won't have it readily available here, but we can share it with you. Because this was aired on



our entertainment channels, we have seen significant uptake in the advertising, and it is within the budget that we had planned. Of course, any league of this sort takes a few years to get established and turn profitable. So we do expect in the third or fourth edition when we'll see breakeven or profitability coming from this.

Moderator: We have our next question from the line of Arun Prasath from Aventus Spark.

Arun Prasath: My first question is on ZEE5. If you look at the trends for the last 9 months, clearly, the MAUs have increased but DAUs have kind of become flat and average watch time actually has reduced and revenue has increased. So I just want to understand this divergence in these trends. How should we read this, what's happening? And how should -- what should we expect in the next, say, 1 or 2 years on this front?

Punit Goenka: Yes. So MAUs have increased and even DAUs have increased over the last 9 months. In fact, they have gone from -- I think from my memory I'm talking with, Arun that we can reconfirm these to you. But about 9 months ago, it was daily active user of between 7 million and 8 million. And today, we are at about 11.5 million. That trend in the time spend has weakened this quarter only because we had a lot of new customers that came in to sample, and as you will know, for any new customer, for them to become loyal and start consuming content for long periods of time, takes time. So this is just the aberration. I do expect this to stabilize back to the 180 to 200 levels that we have been seeing for the last 3 quarters.

Arun Prasath: Just the numbers that we see is close to DAUs have kind of been flat in the between June to December around 11 million. But nevertheless, what I'm trying to understand is if you can give your gross ads on the subscriber because these numbers are looking like based on the usage and as well as there is a churn. But if you consistently, are you seeing increase in the gross ads and also so the net ads is remaining more or less the same. Or how should we look at this? If you slice and dice qualitatively, can you explain what's happening there?

Punit Goenka: So Arun, sorry, I stand corrected. You are right. DAUs have been flat for the last 2 quarters. I stand corrected there. So we will be sharing a whole lot of new metrics which we are starting post the merger. So kindly bear with us for a couple of more months, and we'll start sharing all the detailed metrics with you.

Arun Prasath: My next question is on the cost side. If you see the content cost and obviously, the marketing spends. I'm just comparing this 9-month data from the FY'20 and -- as well



as FY'22. Obviously, the cost is increasing because your investment is going up in many of these properties. Just my -- what I'm thinking is, are we too aggressive in the content investment in these times despite knowing that there is a slowdown in the FMCG spends because we are aware about the FMCG spends at least, we are talking about this for last 2, 3 quarters. Are we going to turn down our aggression at some point of time? And how should we think about the cost going forward?

Punit Goenka: So Arun, you're right. This is a natural question that we ask ourselves every day. But the impact of that is also seen last year, same time, when we had cut costs significantly, it had an impact on our business in the current year. So we consciously chose not to cut investments in this year so that when the tide turns, we are ready to capture the growth. And therefore, we will continue to remain aggressive in the content investments. Of course, that does not mean that you keep jumping by 14% to 15%. I think they are inflationary in nature, even if you look at now, it's only about a 10% growth in content cost that we have seen.

Arun Prasath: At what point of time you will take a relook at these cost levels?

Punit Goenka: We do it everyday, Arun. That's what I'm saying.

Arun Prasath: Sorry, I couldn't hear you.

Punit Goenka: I'm saying we do this every day, every quarter. So that's our job basically. We look at these costs, other than revenue that's the next line item we look at is our cost. So rest assured, we are going to be prudent. And when think it is no longer viable to invest in the content, we will pull back.

Moderator: We have our next question from the line of Kunal Vora from BNP Paribas.

Kunal Vora: I wanted to check regarding your thoughts on Jio's decision to offer IPL for free on Jio Cinema. Would this have an adverse impact on the Pay TV customer base? And ability of broadcasters to monetize the cricket broadcasting rights? I know it's different IPL versus world cup price which you own, but how do you see this development? And also, would this mean a larger move of ad dollars towards digital.

Punit Goenka: I don't think so that it is that easily substitutable that you can just shift the viewership from television to digital overnight. If you look at even in the case of when the predecessors had IPL, if you'll recall the first 2 years, they also were giving it free. It's only in the third year or third edition that they had it or they put it behind the pay



wall. Of course, it will pull advertising dollars towards that, but that does not mean it will replace television from any angle. Our own calculation state that even in the last season of IPL, almost 75% plus advertising came on television and only 20%, 25% came on digital. So that will not significantly change overnight.

Kunal Vora: Even with IPL being available for free and on 1 channel, while that's being paid on television, you don't think it will have any meaningful impact. I mean, why would that be the case? For the customer, it becomes so much convenient plus affordable to directly go for digital, right?

Punit Goenka: No. You see, you are talking about the -- maybe the high-end customer who's got the high-end television set that they watch it on. The other 200 million or 250 million people are not going to sit and watch a 5-hour match on the mobile screen, right? So once you are home, you generally just go to the convenience of watching it on television. That is what I believe is the general human nature.

Kunal Vora: Second and last question is I wanted to get your initial thoughts on ad revenue growth, subscription revenue growth and margins in FY'24.

Punit Goenka: Kunal, we are not giving that guidance out right now. As I said in my opening remarks, the advertising market is still soft. We have to take it quarter-on-quarter. So for FY'24, we are not giving guidance right now. Subscription revenues will grow. As I said, once the NTO 3.0 is implemented, you will see a healthy single-digit growth on subscription revenue.

Kunal Vora: On advertisement, are you seeing any signs of a recovery because for consumer companies, the gross margins are expanding, ad spends are at a multi-year low. Are you optimistic about the recovery.

Punit Goenka: I'm always optimistic. And with the headwinds and on the inflation side and the rural thing easing, hopefully, will bounce back soon enough for consumption to again pick up and therefore, advertising should come back.

Kunal Vora: And just lastly on the sharp decline in average viewership minutes in digital. I couldn't understand the reason for that. Why is there a sharp aberration?

Punit Goenka: It's basically new users that came on. Their consumption generally is lower in the beginning months. It's only once they get used to the platform that they consume more. So it's an aberration. There is no trend to it.



Kunal Vora: But we haven't seen a sharp increase in users as well, right? So I mean, what am I missing here?

Mahesh Pratap Singh: Kunal, you've seen the MAU go up meaningfully. If you look at where our MAU is about 10 million on addition in the quarter.

Moderator: We have our next question from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: First question on ZEE5. If I look at over the last 2 years, the DAUs have almost doubled, MAUs have also more or less doubled the conversion rate is around 9% to 10% odd. The revenues have grown, but the costs have grown even sharper. How do you plan to monetize these footfalls or these sort of DAUs that we are seeing? We had earlier mentioned large part of this are driven by subscription. On the advertising front, if you can share some thoughts there.

Punit Goenka: No, you're right. So we will continue to grow our revenues by subscription itself, and also by advertising, but advertising will be a smaller segment, unlike television, where it constitutes almost 70% or 75%. In this case, it will be reversed to begin with and then probably plateau out between 60:40 in the favour of subscription.

Ankur Periwal: Is there any inflection point in terms of, let's say, DAUs or maybe the conversion rate where you believe the monetization on advertisement will be much more sort of feasible and visible there?

Punit Goenka: Yes. Obviously, there will be once we start hitting conversion levels of 15% to 18%, you will start seeing far more traction in advertising coming in.

Ankur Periwal: Sure. On the advertisement front, while the environment is still soft and as you suggested for the near term, the outlook is not as great. If you can share probably, let's say, on a 9-month basis, how has been our volume metric growth and maybe the correction on the yield front that we have seen.

Punit Goenka: So most of the de-growth has come on the yield part, only some part has come on the inventory or the consumption.

Ankur Periwal: This will be largely led by, let's say, the likes of Tamil and Marathi languages or even Hindi and other languages have seen correction?

Punit Goenka: Across the board.



Ankur Periwal: Sure. And lastly, maybe a book-keeping. So the one-off that we had taken in this quarter, so Zee Learn largely it's done, merger cost, is it all done or probably there could be certain more expenses there? And secondly, on the Siti exposure bit as well and DSRA, will we be taking a quarter-on-quarter approach there? Or there is a possibility of sort of front loading all the provisions at one go?

Punit Goenka: So as Rohit explained, as part of the DSRA agreement, as and when those exposure falls due, we take it in the quarterly approach. As far as Zee Learn is concerned, you're right, it's done for. And as far as the merger expenses are concerned, the merger is not yet done, so it will continue.

Rohit Gupta: And I just want to add, while we do take this provision for DSRA, the entire provision is without prejudice because we have these matters, be a sub judice.

Ankur Periwal: Sure. Just a clarification, this merger cost of INR 68 crores, INR 69 crores. This is only for the quarter? Or there are certain longer-term costs also which have been booked here?

Rohit Gupta: So this is the cost for the quarter. Sorry, I didn't get your question?

Ankur Periwal: So I'm just wondering if this is cost only for Q3. So in Q4, possibility of such cost repeating also remains there.

Punit Goenka: Not necessarily it has to be the same, right? I mean, because some consultants who have finished their work and gone away. So it will continue to vary. We can't make a standard statement that this will continue at the same level.

Moderator: We have a next question from the line of Abhishek Kumar from JM Financial.

Abhishek Kumar: Sorry to harp on the exceptional item again. So 2 questions here. Rohit, you mentioned that we are providing for DSRA as and when they fall due. So does that mean that, if my understanding is correct, this is basically the guarantee that we provide for the interest, which is due that consistently, whenever it is due, it is not being paid by the entity which we have guaranteed. And if that is the case, what is the outstanding amount now, which has not fallen due. Any number to give us a little bit of visibility or clarity on what to expect going forward?



- Rohit Gupta:** So first of all, whatever amount that was due for DSRA till date, that has -- we have taken provision, and that is without prejudice. We have these matters in the court. And so you are aware about that.
- Punit Goenka:** We won't be able to disclose those figures to you.
- Rohit Gupta:** Yes. But yes, whatever -- so there is -- like you're saying, is there any outstanding amount which is due, it's something like that. Whatever is we have already taken a provision for that.
- Abhishek Kumar:** And second, like Zee Learn, can we disclose the overall outstanding that we might have across the Zee entities or other related parties, which we should be aware of.
- Punit Goenka:** All are disclosed, Abhishek. There's nothing which is not disclosed. Even Zee Learn was disclosed.
- Abhishek Kumar:** Okay. Fine. So that's helpful. Now one question on the OTT. I just wanted your view. Have we seen any decline in the competitive intensity over the past few years or the competition continues to be -- competitive intensity continues to be very high, and therefore, we continue to invest in the OTT platform that we're doing.
- Punit Goenka:** Competition on OTT is still high. I don't see it has been reduced in any manner whatsoever. So I think it's still early days, and this competition intensity will remain high for at least the foreseeable future.
- Moderator:** We have our next question from the line of Aditya Chandrasekar from UBS.
- Aditya Chandrasekar:** A couple of questions from my side. So on subscription, basically some part of the growth is because of the Siti revenue that's recognized, right? I just wanted to understand, is this a kind of cumulative catch-up revenue that's been recognized? Or are these amounts also included in prior quarters? I'm just trying to understand like-for-like kind of how do I compare Q-on-Q.
- Punit Goenka:** It is catch up, entirely catch up.
- Aditya Chandrasekar:** For how long will this be as in what's the period for this?
- Rohit Gupta:** 12 months.
- Aditya Chandrasekar:** Last 12 months revenue?



Rohit Gupta: Yes. So we have not been recognizing revenue from Siti and because we have said that Siti revenues were recognized only on the basis of when we collect. So only this time when they have actually made deposits into the court and they have these FDs which are earmarked. We have recognized this revenue just to be in line with the accounting standards. And at the same time, we have made a similar provision to make sure that unless these amounts are received we don't take them into our profitability.

Aditya Chandrasekar: And going forward, every quarter, will they be continuing this deposit to the court? Or what's the arrangement in place going forward?

Punit Goenka: They have to deposit in the court or in the FD until the court resolution happens on the case. Up until then, they were paying us directly.

Aditya Chandrasekar: And second question, is it possible to give any sense on the potential total merger costs? Like what are we looking at?

Punit Goenka: Difficult to say right now, but we'll try and get an estimate for you.

Aditya Chandrasekar: And lastly, on the content cost, I think, related to a question that another analyst had asked. So in terms of like inflection point in terms of when you might think of saying that the content investments have peaked, is there a particular benchmark in terms of linear viewership share or maybe DAU or MAU number that you maybe have in mind, say, the 16% goes to X percent or the DAU go from 11 million to 15, whatever number it is. Is that the right way to think about it as to from then the content investments will kind of start tapering down? Or is that too simplistic?

Punit Goenka: That's very simple, right? Why would I want to put a ceiling for my growth on viewership or any of this thing. So generally, the way to look at it is because linear is a stable business. We generally remain between 40% and 45% of our revenue as the cost of programming. That has been the benchmark that we follow that's what you should continue to look at. Of course, today, it will be higher because of current macroeconomic situation.

But as and when that improves, this will again come into the same level of 40% to 45%, and you will agree that as long as we are growing, we should be investing in content so that we can continue to grow our viewership and therefore, the revenue on the business. It's still early days. So we are seeing how that metric is.



Aditya Chandrasekar: But currently, on linear side, you're investing, right, to catch up on some of the markets where we are lagging behind?

Punit Goenka: That's correct.

Aditya Chandrasekar: Yes. So once you reach kind of the market share that you expect in those segments, then it will come down to the steady state, 40% to 45% of revenues. That's what you're saying.

Punit Goenka: That's what I'm saying, yes.

Aditya Chandrasekar: And I'll reach out for any estimate, if possible, on the merger costs?

Punit Goenka: Yes, sure.

Moderator: We have our next question from the line of Pulkit Chawla from Emkay Global.

Pulkit Chawla: So first, on the market share. This quarter, again, there has been a slight decline in the market share and market share gains recovery seems to be slightly on the lower side. This is despite the fact that you've seen improvement in both Hindi and Tamil. So is there some reason that I'm missing or some other factor as well?

Punit Goenka: The 20 bps is too small a number to even consider because it's not happened in any one given channel. There have been a combination of little, little ratings going away from multiple channels, which is a function that happens every quarter. You gain in some, you lose in some.

Pulkit Chawla: And second, on the merger, any estimated time line for the merger to be completed now given that it's already been delayed by quite some time?

Punit Goenka: We are working on it as fast as we can, and difficult to give a time line because the NCLT is not really in our control. Other than that, all other things are pretty much in our control, and are pretty much something that is doable as soon as the NCLT order is received.

Moderator: We have our next question from the line of Kshitij Saraf from Tusk Investments.

Kshitij Saraf: It's on the NCLT procedure. So we see with regards to the IPRS and with regards to the set of lenders, the cases are ongoing in NCLT. So could you just shed some light



on where we go forward from here with regards to the closure or resolution of these cases because that might determine the merger time line perhaps?

Punit Goenka: So as of now, the next hearing of the NCLT is tomorrow. So we will have to see what happens there. From the perspective that these are sub judice matters. It will be difficult for me to give some time lines to go forward. But you will have more colour on this tomorrow, what happens in the court.

Kshitij Saraf: Just a quick follow-up. We'll get a better sense on both the IPRS as well as the set of lenders tomorrow itself?

Punit Goenka: Well, when the court gave the date, they said it's a final hearing. So I'm keeping my fingers crossed.

Moderator: We have a next question from the line of Sameer Deshpande from Fairdeal Investments.

Sameer Deshpande: Good evening, everyone. My question was actually regarding this merger and it has just been got answered. That is the final case hearing is tomorrow. So hope the Valentine's day proves to be a good day for the great merger, we are all awaiting Sony-Zee merger?

Punit Goenka: Yes, Sameer. Keep your fingers crossed please.

Sameer Deshpande: Yes, we are waiting for that. So if it is completed shortly. And if it is the hearing is over tomorrow and everything goes in our favour because as I have read from the newspaper reports, it mentions that our lawyers have already mentioned that whatever liabilities arise due to these type of cases will be borne by the merged company. So I think there is nothing beyond that, which these lenders are interested, is it correct?

Punit Goenka: You're correct, Sameer, but there are some parties that have no claim and have also intervened. So it's not just people who have legitimate claims. There are certain illegitimate claims also that people have put just to clarify that.

Sameer Deshpande: But if it is a final hearing, I hope things will get squashed, whichever is not really legitimate.

Punit Goenka: Correct.



Moderator: We have a next question from the line of Satish Jain from MoneyFest Capital.

Satish Jain: Some of my questions have been answered, but one question probably that still remains to be answered is on the movie business, can you give some colour how much have we invested? And what are the revenues and profitability if that's possible to give and what are the next few movies that are in the pipeline? And is the strategy for movies still intact? Or have we curtailed that in line of the reduced cash flows or whatever?

Punit Goenka: So actually, we have a very decent slate for '23, which was already signed up. So there is difficulty to curtail that if at all. Of course, the movie business has been profitable for us. Unfortunately, I cannot share the details as we don't report the segment-wise yet, but it is a profitable business for us let me tell you that the strategy will remain because it is a very strategic feeder into our core business of linear as well as digital.

Satish Jain: Okay. And which are the next few big movies that are in the pipeline, if you can share that? Is it possible or?

Punit Goenka: Of course, there is a movie called Madaan, which is with Mr. Ajay Devgan. There is a movie with Mr. Ajith in South. These are the 2 large ones that I can recall of the top of my head, but there will be certain more.

Satish Jain: What about Gadar 2, is it a part of your production? Or is it only a distribution?

Punit Goenka: Gadar 2 is very much part of our production. And we are looking forward to the Independence Day for its release to make another dhamaka.

Moderator: We'll take a last question from the line of Vivekanand S. from Ambit Private Limited.

Vivekanand S.: I thank you so much for the follow-up opportunity. So could you help us understand the pricing levels of ZEE5 versus how we can catch up with competition, is there even a desire to do that or will we keep pricing low? That's one.

Secondly, how much of this year-on-year revenue growth was driven by pricing? I mean, just a broad sense would be very helpful here. And lastly, just a request, I mean, there are still some analysts who have been covering Zee from the time when it was owning TEN Sports, it will be great if you can share sports losses going ahead also because that helps us look at the business better.



Punit Goenka: Sure. The sports side, we will continue to do that. As I said, in the merged environment, we will share those segment numbers with you. In terms of ZEE5 pricing, I think we are quite aggressive with our pricing in the market if you look at it. I mean, today, the ZEE5 mobile-only pack is available for INR 499 and the multi-user pack is available for INR 699. The growth that you have seen I'm only looking at my team, the growth came from price increase largely for us in the current year because we went from an INR 499 pack to a INR 699. And we believe we are quite aggressive on pricing. You will continue to see price hikes from our side even in the coming year, especially with the 2 companies merging.

Vivekanand S.: Great. And all the best for the NCLT court hearing.

Punit Goenka: Thank you very much.

Moderator: Thank you. I would now like to hand the conference over to Mr. Mahesh Pratap Singh for closing comments. Over to you, sir.

Mahesh Pratap Singh: Thanks, Yashasvi. And thanks, everyone, for joining us. I realize some of you would have had very little time to look at it. But hopefully, the last one hour of discussion has been helpful for you to get a perspective of our performance. If there are any follow-up questions or clarifications, please feel free to reach out, and talk to you again next quarter. Have a great evening.

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