



# Zee Entertainment Enterprises Limited

Q1 FY24 CONFERENCE CALL

August 09, 2023

Transcript

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Q1 FY24 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 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 – Head of Investor Relations, Zee Entertainment Enterprises Limited. Thank you and over to you, Sir!

**Mahesh Pratap Singh:** Thanks Rayo. Hello everyone, welcome to our Q1 FY24 Earnings Discussion. At the outset, I sincerely apologize for the delay in keeping you on standby. We ran late but thanks for standing by.

Mr. Punit Goenka is recusing himself from today's discussion. And we have with us our CFO; Mr. Rohit Gupta along with other members of the corporate team. We'll start with the opening remarks by Rohit covering operating and financial performance. We realize you may not have had adequate time to look at the earnings print but we will do our best to talk you through the key highlights and story behind the numbers. We'll subsequently open the floor for questions and answer 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 the nature and these 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'll now hand the call over to Rohit for his opening remarks.

**Rohit Gupta:** Thank you Mahesh. Good evening, everyone. Thank you for taking the time out to join us this evening to discuss the Company's performance during the first quarter of the financial year 2023-24.

Before I get into the details of the quarter, I would like to apprise you all on the proposed merger between Zee and Sony. As you would have noted the Mumbai bench of the NCLT has heard the matter and reserved the final order in its hearing on 10<sup>th</sup> July. The order has now been listed for pronouncement tomorrow. The merger has already received approvals from the Bombay Stock Exchange, National Stock Exchange and the Competition Commission of India and the shareholders of the Company. Our belief in the potential of the merged Company to generate immense value for all stakeholders and the media and entertainment industry at large remains firm.

Now coming to the quarter, there are positive signs of growth across the Media & Entertainment sector at large, and several attractive opportunities exist across segments. Even as the digital ecosystem continues to grow at a steady pace, there remains an exciting opportunity for television in India as well. The headroom for growth of pay TV households in India is immense and rising content consumption can



certainly act as a catalyst for growth in this segment. Evolving consumer behaviours and technological advancements are becoming the growth tailwinds for the sector, and it remains well-poised to witness robust and orderly growth across all segments in the near future.

The new fiscal has started on an optimistic note with some green shoots being seen in the overall advertising sentiment and roll out of NTO 3.0 paving way for TV subscription revenue growth. That said, there remains immense headroom for overall Ad environment recovery on the back of improving consumer demand, and we remain hopeful of the next few quarters driving growth. The focus for us during the quarter has been on strengthening our businesses and offering a compelling content pipeline across platforms to keep viewers entertained. This strategy continues to deliver results for us, and I will take you through the operational and financial performance of the Company in detail.

While we continued to see muted Ad spending environment during the good part of the quarter, encouragingly there were green shoots emerging as we exited the quarter. Q1 started off on a slow note and with IPL during month of April and May, Ad spending was particularly muted. However, towards the back end of the quarter, there were early signs of Ad spends starting to pick up, led by FMCG. We have seen this pickup continue heading in to Q2 as well, however, recovery is still nascent, and pace of pickup is moderate at this point. Overall, we remain hopeful that the positive momentum will continue, enabling us to drive growth in Ad revenues.

There are also very encouraging signs across the TV broadcasting industry. IPL 2023 was biggest ever IPL on television with staggering 32% growth in television ratings compared to the 2022 edition. Overall TV viewership during the quarter is at its five-quarters peak and share of Pay-TV in the overall TV viewership has also increased at a healthy clip. In fact, even from the base of Q1 FY23, when we and other major broadcasters removed our Hindi GECs from FreeDish, Pay-TV has gained further share in the last four-quarters. Linear TV plays a very important role in our business portfolio, and serves a very relevant purpose for both viewers as well as advertisers. We remain confident about our ability to grow our overall linear TV business revenues.

A testimony of that is visible in our linear TV subscription revenue growth during the quarter. We are seeing benefits of NTO 3.0 translate to revenues and it will take couple of quarters for NTO transmission to fully settle down. As we drive NTO rollout, we are also ploughing back some of this growth in marketing for longer-term sustenance and growth of pay-TV ecosystem. Hence, do keep in mind that while the headline growth in linear TV subscription revenues seems higher than inflationary growth levels we had indicated earlier, from a net contribution perspective, factoring in higher marketing, we will likely end up close to inflationary growth.

In our linear TV, our viewership share performance continues to gain momentum and we are at a five-quarter high point with several success stories of winning share back or strengthening leadership position in key markets. As you look at the viewership share for Q1 FY24, keep in mind that GEC share in Q1 gets adversely impacted by



seasonal pickup in Sports (IPL) and Kids genre in summer months. Hence, we have also provided you with viewership share for the month of June which is a better reflection of current trendline of the business momentum. Our June-2023 share at a high point in the last five quarter. On viewership share, we will now be providing you viewership share for Urban 15+ age cut as that is most reflective of our current business context. Historically, we used to report Urban+Rural for 2+ age category and given Zee Anmol exit and absence of Kids channel, that cut isn't very relevant. This quarter alone, for transition and continuity purpose, we are providing you with both the cuts. One very important takeaway and success story I want to leave you with is that when you look at 15+ Urban viewership share, which is a better view of monetizable viewership, we have gained 90 bps viewership share comparing June-23 with Q4FY22. This viewership gain is despite the fact that we have switched-off signal to Siti network and that has adversely impacted our reach during the last quarter. That's a testimony of our team's concentrated efforts to win back share and in comparison every other broadcasting network for the same period has either been stagnant or has lost share.

What is most exciting though is, the texture of this performance in each specific market. We are the fastest growing network by viewership in the South. Zee Tamil share is now at 30-months high, Zee Telugu share is at an all-time high, Zee Kannada continues to lead the market by a big margin. Zee Keralam, our Malayalam GEC, youngest of our southern GECs which we launched only in 2018, has climbed to become Number two in the market. In East region as well, we have had gains across all channels with market leadership in Zee Bengla and Zee Sarthak in Odia. Zee Punjabi is number one channel in the Punjab/Chandigarh region. We have leadership in Hindi movies and Marathi movies. Amongst all these bright spots, ZeeTV and Zee Marathi still remain a challenge and team is hard at work to regain momentum.

On digital side, ZEE5 had a steady quarter with 21% YoY digital revenue growth. There is a sequential moderation in Q1FY24 revenues and that is to do with some B2B catch-up revenues we had in Q4 along with ILT20 contribution. Our original content continues to be extremely well received. As an example, ZEE5 original movie "Sirf Ek Banda Kaafi Hai" has received great reviews and appreciation globally, and has gone on to become the most viewed direct to digital original in the last one year on ZEE5. Other key impact releases on ZEE5 during the quarter included Season 2 of our original show Taj and ZEE5 original movies like Mrs. Undercover and U-turn.

From this quarter onwards, we are not reporting ZEE5 usage or engagement metrics and will request you to anchor to revenue as a measure for growth. Those KPIs were relevant in early stages of business to demonstrate traction, however, now having got to a reasonable scale, these metrics are sort of vanity metrics. We ourselves don't index on these metrics in our internal business decision making or planning and hence we wanted to align external reporting to reflect that as well. Our usage and engagement metrics remain healthy and as an additional colour, our number of total subscribers have grown both QoQ and YoY and watch time has improved from Q4 levels. We are providing this colour just for this quarter to address any doubt on health of business and we will not provide this commentary going forward. We will



continue to evaluate if there are other relevant KPIs which we can add in the future as ZEE5 business further matures.

As a business, we are also very focused in optimising our content monetisation potential for the long term and have not hesitated in sacrificing near term sub optimal monetisation for what we believe longer term true commercial value of our content is. We demonstrated this by taking Zee Anmol off DD FreeDish last year and very recently we have also taken our fresh TV content on ZEE5 behind paywall in four languages including Telugu, Marathi, Bengali and Odia. As a result of this experiment, we expect more viewers to move to SVOD in ZEE5, and on the other hand, we are also already seeing these regions outperform national average on linear TV side in terms of pay-TV viewer stickiness.

Coming to the movie business, during Q1FY24, Zee Studios released 7 movies (3 Hindi and 4 regional) with Kisi Ka Bhai Kisi Ki Jaan, Bandaa, Godday Godday Cha being some of the headline names. "Other Sales and Services" revenues are up YoY 42% on the back of higher number of movies produced and released. This revenue is lower 48% QoQ as Q4FY23 revenues were aided by higher theatrical and syndication revenue from movies like Thunivu and Mrs. Chatterjee vs Norway. We have an exciting movie content line-up for coming quarters with much anticipated Gadar-2 releasing later this week and Maidan to follow later in the year.

On Music business, industry is going through a period of adjustment with few music streaming apps shutting down and some others pivoting from an Ad to subscription based model. These changes will create near term revenue softness. Zee Music Company (ZMC) is well positioned navigate this challenging environment effectively and has seen consistent growth in video views and subscribers, highlighting strength of ZMC music catalogue and library. ZMC is #2 music channel and acquired 62% of new Hindi movies titles in Q1FY24.

Now moving to costs and Profitability, in Q1FY24, overall operating cost has reduced QoQ by 7% due to lower content costs and effective cost management. Resultantly, EBITDA margins have come in at 7.8%, higher by 60 bps QoQ. YoY overall operating cost are up 16% due to higher content cost in linear TV and movies, headcount additions and wage increments, sustained investment in ZEE5 and marketing cost step-up towards NTO rollout. ZEE5 cost base has been steady QoQ, in-line with our indication of the ZEE5 being close to its peak investment levels. ZEE5 absolute EBITDA loss has increased QoQ to Rs 342 Crores for the quarter, primarily due to lower revenues causing adverse operating leverage.

PAT from continued operations for the quarter came in at Rs 39 mn. Net profit for the quarter and year was impacted by exceptional items outlined in our financial results. The cash & treasury investments of the company as of Jun'23 stood at Rs 5,344 mn, including Cash balance of Rs 3,942 mn and FDs of Rs 1,402 mn. Also, quickly touching upon the receivables from Dish, outstanding has substantially reduced to Rs 622 mn as on June 2023.



Moving through the rest of FY24, we are expecting gradual recovery in Ad spends and are optimistic based on green shoots we have seen in last six-weeks. We will still need to see this traction fructify in spending and sustain before making any firm prediction on pace of recovery. Ad revenues pickup will hopefully be also aided by a longer festive period this year with Diwali being in mid-November. We will continue to recalibrate our investments and optimise our cost structure, while making room for strategic bets. With revenue pick up, we are hopeful that we will also have more levers to manage profitability as the year progresses.

Back to you Mahesh

**Mahesh Pratap Singh:** Thanks Rohit. Rayo we can now open the call for questions.

**Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Vivekanand Subramanian from Ambit Capital

**Vivekanand S:** I had a question related to the merger. So given that Zee has argued in the NCLT court that Punit's proceedings and the company are two different things. Now if I were to look at the merger because the merger agreement specifies Punit to be the MD and CEO. If the NCLT approves the merger would the merger deed need to be modified given that currently Punit can't hold directorship and key managerial position? That's question number one. And then I have a few questions on business.

**Vikas Somani:** This is Vikas here. I'll take your question, as Rohit has informed you that the NCLT is going to pronounce the order tomorrow. So, we'll get to know the real color of the order tomorrow. As Punit had already cleared before that, they are two different things his case with Sebi and the merger and that's how we are looking at it. There is no other change apart from this clause where Punit Goenka is an integral part and MD-CEO of the merged co. Apart from this clause there are no other changes in any other clause, the Swap ratio, or the valuation all other clauses are going to be or as it is. So, we are hopeful that just because of one of this clause we don't see any major impediment towards the conclusion of the merger coming. But as we said it's just a matter of another 24 hours and we'll get to see the true color of the order tomorrow.

**Vivekanand S:** My next question is on the color of the ad recovery that you pointed out and thanks for giving some insights on how June and July are looking. So, from an FMCG standpoint if I understand correctly half the ad revenue comes from FMCG and the sensitivity of Zee's linear TV business to FMCG should be very high. Is that understanding, correct? So, if that is correct then why is it that a recovery in ad spends led by FMCG is only leading to a muted pickup in June and July?

**Rohit Gupta:** Like I said we are seeing some green shoots and in late June and July, there are some early signs of ad spends starting to pick up led by FMCG.

FMCG is about 60% as we have always said of our business. So, we are very hopeful, and we'll continue to be looking at how this recovery comes up. But because it is still just a couple of months at this point of time, we are not able to give you a very robust



growth picture. But we remain hopeful that the positive momentum will continue and definitely during the festive season we'll be able to see ad recovery growing.

**Mahesh Pratap Singh:** Just to add to what Rohit said Vivek, when you look at the quarter performance keep in mind a couple of other things. You also had a quarter where some share of spending did go to things like a very marquee sport property or things go to—it's a summer vacation some spending does go to—kids' genre and so on. So that's one thing which would have played out when you look at from spender versus receiver in a way. The second thing to keep in mind is yes, you're right in the fact that FMCG is one of the highest categories and there is a very high degree of sensitivity. But underneath there have also been areas which have continued to be sort of soft. The whole new-age sort of bucket is still not really spending and a small bit of churn offsets what you get in other parts of the portfolio. Even for things like consumer durables, for example the quarter, the unseasonal rains, summer was quite a patchy and all that. So, what you're seeing on a headline basis is a combination of FMCG plus several other moving factors. Also, a quarter where some spending would have gone into sports or kids and so on. So that's the other frame to keep in mind as you compare the commentary, you're getting from let's say FMCG versus what you're seeing in ad spending.

**Vivekanand S:** My last question is on the comments that Rohit made on the programming in regional content. So, could you explain that better and secondly with respect to the viewership shares that we are disclosing now, what is the key driver of viewership share? Is it more original programming hours or is it that the fresh content in primetime, that is delivering better results?

**Mahesh Pratap Singh:** So, let me take a shot at it. Rohit, feel free to add. The first question you asked Vivek was that about the share in each of the regional markets? Is that what you were alluding to in your first part of the question?

**Vivekanand S:** So, I couldn't understand the comment, so well where Rohit mentioned about certain programming interventions in the regional markets and push towards SVOD.

**Mahesh Pratap Singh:** So, what we were saying was basically making a point about how we are continuing to keep content monetization and getting the true potential or value of the content in every decision we are making. In that context Rohit was talking about the fact that, typically what used to happen and what still happens in most cases is if you have a ZEE5 subscription you come in we have an AVOD tier which is ad supported tier and you could see the TV content there. And then there is a paywall behind which we have all our original content which is our original shows and movies and so on. So those are the two tiers you get in. The experiment or the initiative we've done which Rohit spoke about was the four languages which is Telugu, Bengali, Marathi and Odia. We've taken our TV content and sort of put it behind the paywall which means if you're historically seeing TV content on an ad supported tier coming in when you now come in you actually see a paywall and it's driving two things. These are early days but it's driving two things. One we hope that this will drive more people to move to subscription which is where the SVOD point Rohit made. But the second thing we're also seeing is on the linear TV side itself in these markets where we have taken



content behind the paywall it's also driving slightly better stickiness compared to national averages when it comes to viewership on the TV side of things. So that's the point Rohit was making from an intervention standpoint. Hope that's clear and then I'll move to your second question.

**Vivekanand S:** Yes, very clear and very interesting.

**Mahesh Pratap Singh:** On the second question in terms of content, it's largely to do with the sort of effectiveness and quality of content we are making. It's less about number of hours. Of course, there will always be choices you'll make in terms of programming slots, what goes where, how do you refresh and all of it. But a lot of this is that the viewership share gain, we've really seen reflects how sort of tuned-in our teams have been in terms of consumer and viewer preferences. How have they brought stories to life, what kind of narratives, what kind of protagonist you've taken and shown the content and that content really resonates with audiences. Keep in mind that these are markets where there are difficult markets in southern clusters. We've been speaking about something like Zee Tamil where were going through a lean patch. The recovery has been quite robust. Rohit spoke about the market, which is fairly new for us something like Malayalam, Kerala. And we've gone on to become #2. So, a lot of this is really a reflection of how tuned in our teams have been in terms of getting a pulse of consumer and bringing this to life in terms of stories we are telling and those stories really resonating with audiences.

**Moderator:** The next question is from the line of Abneesh Roy from Nuvama Institutional Equities.

**Abneesh Roy:** My question is the market share expansion which you said in South India for example Kerala you have become #2. Some of the other three states you have hit multi month high. Who is losing share? What's driving this and any learnings from those 4-5 states in south which you can transplant to Hindi and Marathi where you have been trying a lot but somehow it doesn't seem to be working?

**Mahesh Pratap Singh:** So, on the second part Abneesh, yes, we are doing that. I think we're looking at stories and narratives which are working in a specific market and then seeing how do we contextualize it for a slightly different region and bring this to life. So that's something which is clearly on the cards, and we will look at it, clearly that's something is true.

The share gain is really a market-to-market dynamic. A few of them are fairly sort of multiplayer markets where there are 3-4 players and some of the markets are largely two player markets. So, it's really coming from, in a situation of two player market it's clearly coming from the second player largely. But in some cases where something like Malayalam as an example is a sort of multiplayer market where we've consolidated on expense of everyone to some extent.

**Abneesh Roy:** And in terms of the very high spends in ZEE5, where do you see the balance three quarters because here every quarter there is a negative surprise in terms of the losses? When we see other regional players, global players everyone is talking of curtailing cost. Somehow ZEE5 is the only listed player whose numbers have really



come out but somehow ZEE5 seems to be the only aberration there. So why you are not going to be cautious just like other players wanted to understand this?

**Mahesh Pratap Singh:** I will take a shot at it and Rohit feel free to add. So, I think look Abneesh, when you look at this quarter we are actually quite pleased with the fact that the cost base has been fairly steady in ZEE5 and keep in mind this is despite us having to take in effect the increments and wage escalation which would have come in. So, if you look at considering all that, there has been prudent cost management to offset some of these increases and still keep the cost base steady. Now to your point, yes what has happened is your EBITDA loss has widened but that's largely a function of what has flown through the revenue. If you look at the Q4, we were at about 220 crores quarterly revenue and Q1 because there were some catch up revenues in Q4, Q1 has moderated back to about 195 crores odd and that's the difference which is largely flown through margins. But when you really look at revenue plus EBITDA loss and compare Q4 and Q1 from a cost-based standpoint, they're very steady and that despite taking some of the seasonal increments like wage escalation. Moving forward. We believe what you're seeing as a cost base in Q4 and Q1 is largely at peak. We will still have to invest in content and some usage-based investment in technology. But we are hopeful that within our cost management and efficiencies and other parts of the portfolio, we will try and find a balance where what you're seeing in the last couple of quarters remain largely the cost base of the business.

**Abneesh Roy:** Last quick question, you are also a significant movie producer. We have seen in the earlier quarters regional movies doing well generally in the box office. Now what we are seeing Hollywood movies and some of the Hindi movies are also doing well. Given that kind of a development, are you recalibrating your movie production any changes? Because you had also tried to be a bit cautious on that. But again, because now there is a bit of recovery, how do you see in the coming quarters and maybe even FY25 pipeline of movies, budget size of the movies?

**Mahesh Pratap Singh:** Abneesh we continue to look at this in a fairly dynamic manner. We start the year with a broad plan, but we look at this fairly quarter-on-quarter in terms of where we commit and sort of sign a project. So, you're always going to see some tent pole or mainstream movies which we do and there's going to be fair bit of regional in the mix. But it's not something which we get deeply tied into well ahead and commit. It's a fairly evolving scenario which will have mix of Hindi and regional. It'll have mix of tent pole properties and mid ticket, small budget movies, a combination of that. That's where really, we'll continue to play and balance in our overall envelope.

**Moderator:** The next question is from the line of Kunal Vora from BNP Paribas.

**Kunal Vora:** First is, can you talk about whether all the bank litigations are now settled and what is the amount which you paid versus the total provision that you had created?

**Mukund:** So, in respect of the bank litigation, two out of the three DSRA claims were settled. One has been completely settled IndusInd and both parties have withdrawn the relevant litigations in that. The second one was with Standard Chartered, which is progressing as per the terms agreed. In respect of the third matter on IDBI, that case



was dismissed by the NCLT, and the matter is now sub judge. So that remains to be dealt with.

**Kunal Vora:** And what's the total payment which was made for this in the quarter?

**Mahesh Pratap Singh:** We haven't disclosed the specifics of these settlements, Kunal.

**Mukund:** Just to add, the payments are within the provisions which are there.

**Mahesh Pratap Singh:** And if you look at Kunal the notes to account, this does cover about DSRA. There's a specific note which talks about the fact that what's been accounted for and adequate provisions being in place and all that. So just have a look at that.

**Kunal Vora:** I'll have a look at that. Second is you've taken some additional write-off for Sugarbox. What was the total investment in Sugarbox and is that fully written off and are you going to realize anything at all on that?

**Rohit Gupta:** So, see last quarter we had mentioned that we are discontinuing the operations of Sugarbox and all the investments that we had which was roughly around 300 crores, we had written down. What you see in this quarter is of course the remnants that are there for Quarter 1 and all the closure expenses and I don't foresee any more expenses on Sugarbox coming forward.

**Kunal Vora:** So total investment was about say 300 and 330 crores and that's been fully written-off?

**Rohit Gupta:** The total investment was higher. Zee has taken over all the assets and everything what Sugarbox had and there was a valuation of some claims. So out of about 420 crores, about 300 crores is what we wrote down and the balance still remains in these standalone books. But on a consolidated it doesn't matter, it's a net figure.

**Kunal Vora:** And last one is can you talk about how the business is being managed right now? Whether any changes have been made in the leadership team, at least in the interim period?

**Rohit Gupta:** So, as you would have seen, the board based on the legal advice, they had formed an internal committee. So that's one. Secondly these are all, business actually managed by all professional leaders, senior leaders so really from that point of view there is no change and no disruption in the business.

**Kunal Vora:** So, any big decisions which need to be taken would be taken?

**Rohit Gupta:** We are consulting them.

**Kunal Vora:** Board?

**Rohit Gupta:** Yes. Any big decision etc. we obviously continue to consult our board.



- Moderator:** The next question is from the line of Jinesh Joshi from Prabhudas Lilladher.
- Jinesh Joshi:** I have a question, on the opening remarks made with respect to discontinuing our services with Siti. But I believe if Siti was on cash and carry, so any specific reason for discontinuing? And also, we have left out east from this whole setup, so any reason behind that as well?
- Rohit Gupta:** So, we had moved to a cash and carry model with Siti a few quarters back but because there were certain litigations going on in Siti, we were not receiving payments from Siti and therefore we were not able to recognize our revenue. Therefore, we had to take revenue on the top line and then make a provision and were disclosing that. We decided that in Siti and we had mentioned that in the last quarter call as well that we are switching off signal to Siti, so really, it's a matter of recovering money from Siti.
- Jinesh Joshi:** I think the signal is not shut in the east region?
- Rohit Gupta:** Yes, that's right.
- Jinesh Joshi:** What was the reason for leaving that region?
- Rohit Gupta:** Actually, in east, there is Siti and there are certain other providers which are actually bunched together and there is regular money coming in there plus there is extensive reach that we get and because there are money which keeps coming in from there we don't see any reason to shut off east.
- Jinesh Joshi:** Second bookkeeping question is with respect to the merger-related cost, so we have seen this cost hit us since the last few quarters. So, can you just share what is the total estimated cost which we are envisaging and how much have we recognized so far?
- Mahesh Pratap Singh:** Jinesh, it's very difficult to give you an estimate of what the cost would be. Keep in mind that this is a function of, one, we've taken longer in terms of completion and teams working through it and legal expenses and all that. So, unless we really have a firm closure or sort of a clear timeline to work with, it's very difficult to estimate something which doesn't have a sort of end timeline in front of us.
- Jinesh Joshi:** One last question from my side. I think the BCCI Media Rights auction is due in a few days. So just wanted to know, are we participating in the auction and have we purchased the invitation to sender.
- Mahesh Pratap Singh:** Jinesh, we as a media and entertainment player, we look at every opportunity coming our way and evaluate that based on what it does and from the prism of value creation and everything. So, we evaluate it. As you can appreciate at this point in time, it's not fair for us to publicly comment, given competitive sensitivities, but suffices to say that we look at every opportunity and evaluate it own its merit.
- Jinesh Joshi:** Just kind of ask one last question, but have we purchased the tender? Can we share that?



- Mahesh Pratap Singh:** Yes, we have purchased the tender.
- Moderator:** We take the next question from the line of Jay Doshi from Kotak.
- Jay Doshi:** Linear TV advertising for IPL this time declined by 50% and seems like Star has incurred significant losses. So, given that backdrop, we'd like to understand what is the amount that you've agreed for ICC rights, the understanding you have with Star and whether it is a legally tenable contract that they can enforce or there is a room for renegotiation there?
- Mahesh Pratap Singh:** The 50% seems a bit sort of out of ordinary. It's not for us to comment, given it is Star's number, but I think our estimate is much lower than that. But keeping that aside, look, we haven't disclosed the specifics of deal between us and Star on this one, and we are bound by sort of confidentiality and specifics. So, we won't be able to comment on any financial contours of that partnership or engagement.
- Jay Doshi:** Let me confirm that if I've understood it correctly. So, at this point of time, there is no legal contract between you and Star India for ICC rights, for which Star has kind of agreed, bought a contract for TV and Digital for \$3 billion, but they don't have a firm commitment from your end?
- Vikas Somani:** We definitely have an arrangement with Star wherein as news has been made public that we are sharing the TV broadcasting rights with them. So, the arrangement is definitely there.
- Jay Doshi:** So, in that case, I would urge you to sort of come up with appropriate disclosures. We are talking about a few hundred crores or thousand crores of losses from what we have seen in IPL, right? From public news, media news, star is forced to look for a JV partner in India. I think it's as meaningful as anything else in business. So, I would request you to take a legal view and provide us with some disclosures in terms of what's the potential cost and what's the legal sort of contract.
- Vikas Somani:** Noted and we definitely will be making all those disclosures at the right time. On all these matters we always do keep on counseling with our counsels and at the right time we'll come back and make all the right disclosures.
- Jay Doshi:** Because people in the industry know, right? So, it's unfair for investors not to know something which maybe half a dozen people in the industry already are aware about. That's one. Second is likewise, I would also request more disclosures on digital on the cost front because your current quarterly operating cost run rate is now over 500 crores. Very meaningful. So, perhaps some breakup in terms of what's the programming cost for digital, what is the technology cost, marketing cost and employee cost is some basics around that starting next quarter or maybe post-merger.
- Mahesh Pratap Singh:** Point well noted, Jay. Leave this with us. We of course evaluate this on an ongoing basis, it is a fair point and let us see what kind of granularity or sort of visibility we can provide you. So, we note your feedback.



**Moderator:** The next question is from Abhisek Banerjee from ICICI Securities.

**Abhisek Banerjee:** Again, on the same point that the previous caller was speaking on. In terms of disclosures in the Zee digital business, the MAU numbers or the number of viewers, these numbers, I understand where you might be coming from in terms of competitive intensity, maybe, but it actually does help us to have some idea of when the profit metrics start coming in. So, I would please urge you to reconsider that. Now, moving ahead, in terms of the movie production business, what is the outlook for the next quarter given one or two of your big movies are coming out? And if any give any clarity by providing any numbers on the run rate of how ad spend improvements are being seen, because we have been hearing about green shoots for some time now. But frankly, I know I can understand the industries yet to recover, but if you can give us some numbers, it just gives us some better clarity.

**Mahesh Pratap Singh:** So, let me take those Abhishek. Look, point noted on the first one, ZEE5. I think if you've been on our calls even last couple of quarters, you've seen this question come back up. We look at this on an ongoing basis and as we came into this year, we looked at it again. There are two objectives here and points taken that we'll continue to evaluate if there's something else we can provide. But one point really was that look, we don't really index on these as much as we did when the business started, right. So, to that extent it's always prudent to align the reporting the way we look at business. And you would remember we used to get on call and there were questions saying look, MAU has gone up and down in revenue and how do we correlate to it? The second thing which has happened is we've had a lot of direct offline one-on-one conversations, investors and analysts would come and say look, this is one number. But I look at Comscore, I look at App Annie, I look at similar web, this number is there, that number is there and all this, it's something where there are multiple sources to cut and dice it depending on who you refer to. And that's where this becomes this is a bit of a divided view, but there are few folks who find it useful and there are a few folks who find it difficult to reconcile multiple sources. So, we thought it's best to align with what we see. The key driver of the business really remains subscribers and ARPU and given sensitivities at this point in time we of course can't disclose. But point noted, we will look at one, of course reconsidering what we used to disclose plus also if there's anything else we can use to give you incremental color.

The second one, you had a point on sort of movies, right? And the big one coming two days later is Gadar 2, and I think that's a big one but that's really what I could allude to at this point. And then of course there would be a combination of smaller tickets or regionals as the quarter progresses. But that's the big one for the quarter looking out from a Q2 standpoint.

The third question in terms of any commentary or color on pace of ad environment recovery, like Rohit said, we're seeing green shoots, but it is still nascent, wouldn't be able to quantify. I mean there are select clients where we are clearly seeing a step up happening but as you yourself said, we'd rather see a trend before really giving any definitive view or prediction on this. So, at this stage what we are seeing is clearly there's a step up but it's fairly modest and we would want to see the sustenance of



this as the quarter progresses. So that's really where we are. We won't be able to give you a specific number or trend line beyond that.

**Abhishek Banerjee:** Understood. Just extending the first question in terms of the recent business, is it possible to share something like contribution margins with us which gives us some idea of how the profits are moving. And on the second one, what would be the approximate proportion of NBOs which kind of come to you for movies produced by you? I mean from historical numbers if you can give us some context that will help.

**Mahesh Pratap Singh:** Sorry, the second one who comes to us, you said NBO, is it?

**Abhishek Banerjee:** What proportion of Net box office revenues are accrued to your revenues basically for movies that is produced by you?

**Mahesh Pratap Singh:** It varies market by market, Abhishek, a little bit and then of course, we can take that offline. As it will be a longer conversation, but it does vary market to market. There are times we also do just the distribution deal as an example and that's a different model. Different models exist in that sense.

**Moderator:** That would be the last question. I would now like to hand the conference over to Mr. Mahesh Pratap Singh for closing comments.

**Mahesh Pratap Singh:** Thanks Rayo. Thanks everyone. Thanks for standing by and once again apologies for keeping you waiting. Hope the conversation was useful for you to get a better color on the performance. Please feel free to reach out to us if there are any follow-up questions as you do a deeper study of numbers. We will be available and look forward to speaking to you and meeting all of you in person soon. Thank you.

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