Zee Entertainment Enterprises Limited

Q4 FY 24 EARNINGS CONFERENCE CALL

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Transcript

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 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, 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 at Zee Entertainment Enterprises Limited. Thank you, and over to you, sir.

Mahesh Pratap Singh: Thanks, Dorwin. Good evening, everyone. Welcome to our Q4 FY '24 earnings discussion. We have with us today our Managing Director and CEO, Mr. Punit Goenka, along with senior management team. We'll start the call by opening remarks from Mr. Goenka, followed by commentary on operating and financial performance by Mr. Rohit Gupta, our CFO. 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 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'll now hand the call over to Mr. Goenka.

Punit Goenka: Good evening, everyone!

I hope all of you have been keeping well. Thank you for taking the time out to join us this evening, as we discuss the Company's performance in the fourth quarter of the financial year 2023-24. Joining me on this call today is our Chief Financial Officer, Rohit Gupta, who will be taking you through the performance numbers in greater detail.

Before we begin, I want to share a quick update on the legal front. As you would have read in our communication issued in April 2024, the Company has withdrawn its merger implementation application from the National Company Law Tribunal (NCLT). This decision will enable the Company to sharply focus on growth and strategic opportunities, in order to generate higher value for all shareholders. That said, the Company will continue to aggressively pursue the arbitration proceedings at the Singapore International Arbitration Centre (SIAC) and in other forums.

Coming back to the quarterly performance, I speak to you today not just as the MD & CEO of the Company, but also as someone who is directly responsible of the Domestic Broadcast Business. Hence, I would like to focus more on the performance of this business and the steps being taken to achieve the targeted goals for the future.

Our focus in the quarter gone by, has been firmly on enhancing the performance and the profitability levels of the Company, in order to achieve the targeted EBITDA margin. We have taken concerted efforts in every required direction to ensure that we remain Frugal, optimize our resources and maintain a sharp focus on Quality Content across the business. We have been implementing a series of steps since the latter half of the quarter, results of which will reflect in the bottom-line in FY25. That said, all the strategic pieces are gradually coming together in line with the Company's robust growth plan, and I remain committed towards delivering the financial ambitions we had outlined in February 2024. The last few months have certainly been intense as we took several tough decisions in the interest of the Company. Amidst this, we remain grateful for the trust bestowed by our shareholders to implement these steps. Their approval on the appointment of 3 new Independent Directors on the Board is a testimony of their belief and trust in us. We also have a streamlined and strong team now across the business, which reflects the potential of the talent pool we have nurtured over the years. In line with the lateral structure implemented across the Company, we have entrusted several of our talented team members with higher level of responsibilities to encourage more cross-functional collaboration, quick decision making and ideation.

On the performance front, financial year 2023-24 remained subdued due to the headwinds faced from the macro-economic environment and other external factors. That said, the final quarter of the fiscal stood out by displaying positive levels of growth, and we expect this momentum to continue in the new financial year as well. The FMCG sector has been recovering with the rural sentiment witnessing an uptick, leading to a healthy increase in advertisement revenue for the Company, both, on a quarter-on-quarter and year-on-year basis. The green shoots that we had noticed over the previous quarters, have grown stronger on the back of potential recovery across sectors, particularly FMCG. This, coupled with the expectation of a good monsoon, should continue driving the momentum forward in FY25.

Subscription revenue has also continued to grow at a steady pace. Going forward, the focus for players across the industry will be on identifying avenues to grow the pay-TV

ecosystem in a healthy manner. We remain hopeful that NTO 3.0 implementation and tariff forbearance will strengthen the pay-TV ecosystem and pave way for sustained growth in subscription revenues.

As a result of this all-rounded revenue growth, the margins have also improved during the quarter, and our focus remains sharply on achieving a healthy margin growth rate in the coming few quarters.

I am pleased to note the 30 basis points (bps) quarter-on-quarter network share gain, reinforcing our strong market position. We have clocked viewership gains in key markets like Hindi and Marathi, which are a result of the concerted efforts sown during the fiscal. I have been travelling to all our language markets and our local offices in order to meet and exchange thoughts and ideas with the teams. I am pleased to note the strong commitment displayed by the team members in swiftly aligning with the set targets, and substantial energies are being invested on the linear side to further fortify our position across markets. My plan is to invest dedicated time and energy in every market, in order to identify ways to strengthen the viewership.

On the digital front, ZEE5 continues to post a moderately healthy increase in metrics quarter on quarter. We have been over-indexing on the growth and investments in the past, but the need of the hour is to pivot the business to achieve a balanced cost structure, in order to sustain long-term growth. With that backdrop, we are looking at every element of the business with a lens of improving the overall performance. As a result, we expect some short-term aberration in the digital business financial performance as we optimize costs for the long run. That said, the platform is making steady progress and we have seen healthy trends in usage and engagement metrics, including the Net Promoter Score. We remain certain that with the launch of originals such as Broken News season 2 and others in the offing, ZEE5 will certainly be a competitive force in the Indian OTT landscape going forward.

The media and entertainment industry continues to undergo structural changes as business models swivel to offer consumers a holistic entertainment experience across screens. We expect the near-term outlook for the industry to be growth-oriented on the back of rising content consumption and improving infrastructure, resulting in accessibility and affordability. We are noting the intensifying competition across the sector, and have taken strategic steps to secure our future and continue generating value for all our stakeholders.

I firmly believe that healthy competition will only propel the industry forward, which is beneficial for all of us. Innovation is at the core of everything we do, and we have consistently managed to deliver value with a frugal approach. ZEE's fiscal prudence has enabled it to emerge as the most valuable asset in the industry, and we remain guided by this principle going forward.

Since I last spoke to you in February 2024, we have made significant progress on the proposed roadmap. Our visibility and confidence in our performance in FY25, and our ability to achieve the long-term aspiration of 18-20% EBITDA by FY26, has further bolstered. In the new fiscal, all the interventions will fully play out over the next 3-4 months, and there will be some one-time costs in the near term. That said, a positive upswing should continue in the subsequent quarters, and we remain well-poised to capitalise on the opportunities.

On that note, I would like to hand over the call to Rohit, to share the financial and operating metrics of our performance in a granular manner. I look forward to interacting with all of you during the Q&A session later.

Thank you. Over to you Rohit.

Rohit Gupta: Thank you, Punit. Good evening, everyone, and great to connect with all of you. I will briefly touch upon some of the key financial highlights.

While FY24 was a challenging year for the overall industry and Zee Entertainment, I am pleased to share that we have exited the year with positive tailwinds and growth momentum in Q4. This sets up well for FY25 and we are firmly on the path we had laid out in our February 2024 earnings call.

For a good part of FY24, the linear Ad spending environment continued to remain soft due to weak pace of recovery in consumption demand for FMCG companies, especially driven by the rural demand slowdown, along with weak spending sentiment among the new age companies. However, post festive season some green shoots emerged, led by FMCG players starting to inch up their Ad spending. We are pleased to note that the Ad spending on GECs has continued to gradually pick up in Q4FY24. We had also come out with competitively priced packages for advertisers during the ongoing cricket season which offers a great value for Brands to reach audiences at scale with lower outlays, and we have seen a good response to that. These factors enabled us to post healthy 8.1% QoQ growth on a festive quarter base, and 10.4% YoY growth. While

the FMCG pace of recovery is still nascent and this quarter Sports is taking some share of Ad spending, we believe we are better positioned than in previous years to drive growth in Ad revenues.

On Subscription side, FY24 was a positive turning point where revenues grew nearly 10% YoY led by NTO 3.0 implementation and growth in digital subscription revenue. Similarly, Q4 FY24 Subscription revenues are up at a healthy rate of 12% YoY and 3.1% QoQ. We are hopeful that with conducive pricing policy framework being in place, there will be an opportunity to drive gradual growth in Subscription revenues.

FY24 was a strong year for our movies business, with Gadar 2 entering the Rs 500 Cr+ gross box office collection club. The Kerala story, 12th Fail, Kisi Ki Bhai Kisi Ki Jaan, and Bas Ek Bandaa Kaafi Hai being some of the key headline names in Hindi movies, while Bro, King of Kotha, and Gude Gude Cha, were some of the key success stories in the language's movies. This strong movie performance across theatrical and syndication, aided the other sales and services, which grew at 31.5% YoY in FY24. In Q4 FY24, it was a relatively lean movie calendar and lineup, and hence other sales and services revenues have been modest.

From an industry backdrop perspective, the linear industry landscape remains healthy, with TV viewership in Q4 increasing YoY. On the linear business front, we continue to be India's strong #2 TV Entertainment network and gained 30 bps of viewership share during FY24, taking our viewership share to 17.1%. Encouragingly in Q4 FY24, Zee Marathi and Zee TV have both shown uptick, and our Q4 viewership share performance has increased by 30 bps QoQ, coming in at 16.8%.

On the digital side, ZEE5 continues to make steady progress and deliver healthy KPIs for usage and engagement. Zee5 revenues were up 24.1% in FY24. In FY24, Zee5 EBITDA loss remained flat. As part of our overall performance enhancement plan, we are revisiting and optimising the overall Zee5 cost structure in line with our strategic priorities. This will see us take some one-time costs as we restructure the business and will likely cause volatility in quarterly numbers for couple of quarters. In Q4, we have seen uptick in Zee5 costs, and we want to reiterate that there is no structural shift in cost baseline at Zee5. Zee5 is operating at its peak cost structure and overall cost will continue to trend down as we conclude the streamlining process and some of the one-offs work itself out.

On the Music business, Zee Music Company (ZMC) continues to be the #2 music channel with over 149 Mn subscribers on YouTube and over 165 Bn total video views during FY24. Music industry is still under a period of readjustment, with few music streaming apps having shut down last year and some others moving behind a paywall. While this creates headwinds for near-term growth, we remain focused in managing the business with a prudent cost structure and enhancing profitability.

Moving to costs and profitability, in FY24 we have made strategic investments in the business across content, marketing and technology, leading to an overall increase of 10.6% in overall operating costs. In Q4FY24 our YoY operating cost base has remain steady, while it has seen some uptick QoQ due to Zee5 and sports. Beginning Q4FY24, we have embarked on a cost optimisation initiative in line with the overall plan we have shared. I am pleased to share that we are making good progress on that and have already initiated several actions across the business and each element of cost structure including content, people, technology and marketing. While these interventions will have some one-time costs coming in Q1 FY25, we are well setup for driving a healthy margin improvement beginning Q2 FY25.

PAT from continued operations for FY24 was at Rs 1,993 Mn and for Q4 was at Rs 122 Mn. PAT for the Quarter was impacted by deferred tax asset reversal, in line with current business outlook. I want to clarify that this deferred tax asset reversal is an accounting adjustment on a conservative basis, and its non-cash in nature.

On the balance sheet side, our focused efforts have enabled us to further strengthen our liquidity and financial position. During the quarter, we generated strong FCF driven by optimization of working capital. The cash & treasury investments increased during the quarter and as of Mar'24 stood at Rs 11.9 Bn, which includes a Cash balance of Rs 5.7 Bn and FDs of Rs 6.2 Bn. Our content inventory continued to decline in Q4 driven by optimized acquisition. Mar'24 Content inventory, advances, and deposits were at Rs 74.2 Bn, lower by Rs 5.4 Bn on a YoY basis.

Moving into FY25, we continue to expect gradual recovery in revenues. Ad revenue outlook looks promising based on FMCG spending green shoots, expectation of normal monsoon and rural recovery. We also expect to sustain growth in Subscription revenues and Zee5. On the back of margin improvement action plan initiated, prudent cost management and narrowing losses in Zee5, we are hopeful of seeing a meaningful improvement in overall profitability in FY25.

Back to you Mahesh

Mahesh Pratap Singh: Thanks, Rohit. Dorwin we can open the call for questions and answers.

Moderator: We will now begin the question-and answer session. We have the first question from the line of Abneesh Roy from Nuvama.

Abneesh Roy: Congrats on recovery in the margin starting, still it's a long way. My first question is media is a people's business, and you had built up the team over the last few years in terms of the OTT and overall multiple genres. And because of the change in scenario, you have now started focusing on a more rational cost base. So, I wanted to understand, one, now that a lot of the rationalization is happening, how does this impact your ability to fight competition in medium, long term? I understand the market share is a dynamic number. But not having that talent pool, how does it impact both in OTT and in terms of the linear TV in medium, long term? And now that FMCG recovery is starting, which you also referred to multiple times in the opening remarks, again, is this the right time to rationalize your cost structure because if revenue is improving for the industry, generally, the investment by the players also increases. So, I wanted to understand more holistic, more from a 2 to 3 year perspective, not 1 or 2 quarters, how does this impact your ability to fight the competition?

Punit Goenka: Thanks, Abneesh. If we look at the largest amount of rationalization that has taken place is in the technology part of the OTT business. And like we have been maintaining for the last couple of years that we are building out the platform. And now we truly believe that our platform is stable, and our platform has been built up to compete in the market in the best form that we can. Of course, there can always be improvements to it. Therefore, we didn't feel that we needed this kind of level of people, etcetera, on that front.

Also, Abneesh, you have to realize that in the last 2-2.5 years, given the fact that we have been busy with the merger and other things, every company goes through this cycle in its life where fat does accumulate within the organization. And we believe that this is the right time for us to take those calls. I do not believe that we cannot compete with competition, given where we are. I think the testimony is going to be only to be seen over a period of time. But I am pretty confident that the team that remains with us is totally capable of taking the entire thing forward for our growth plans that we have outlined.

Abneesh Roy: Sure. My second question is on the 2 important revenue items for you. In both, we have seen a good recovery. So, if you could talk about how the industry should look at FY '25 in both advertising and subscription revenue. I remember historically, you have always given at this point of time, your outlook on the advertising industry and subscription now, clearly, things are far better versus, say, 2 to 3 years back. So more on the industry level, I know for you, generally, you grow a bit faster, but given the dynamic nature of changes which you are doing any, I'm not asking a company specific guidance, but at the industry level for your kind of a genre, what is the expectation?

Punit Goenka: Abneesh, I think the industry itself will see healthy growth in the high single digits for both subscription and advertising. And so that's what I am expecting. And I think whatever my conversations with my own peers in the industry happens, everybody is focused on, as I said in my opening remarks, that how do we grow the pay TV ecosystem. Advertising, of course, is very dynamic for every network, it's this thing. But for the pay TV ecosystem, we can, as an industry work together with the likes of TRAI and make sure that we get the right growth through the NTO structure that has been put in place.

Moderator: The next question is from the line of Pankaj from Bank of America.

Pankaj: Congrats on the margin improvement. My first question is about how should we look at the positioning of ZEE5 going ahead? Let's say, forget about the cost that will come in, maybe 3 quarters and the long or probably a year or 2 down the line. How should ZEE5 be positioned against the likes of Netflix and JioCinema and all other players? How do you think about it?

Punit Goenka: Pankaj, we are comparing apples-and-oranges here. JioCinema, Hotstar and these kind of platforms are all playing on the sports business, whereas we are operating in the pure entertainment category in this country. And if you look at the content offering that ZEE5 has, that's what we have always maintained that we are a holistic family entertainment platform. And that's the differentiator that we want to position ourselves to be going forward as well.

Pankaj: Got it, Punit. And just in continuation of that, would you be a little more aggressive in buying content, let's say, either movies or originals?

Punit Goenka: We have been aggressive already Pankaj in terms of buying movies, but there are times when in situations like today, where we have to become a bit frugal to make sure that

we are buying the right content at the right pricing. So, we are being very cautious on what we buy at what price. Therefore, we may slow down buying a bit. But eventually, once our profitability improves and everything comes back to a normal stage, we will deploy capital back into the ZEE5 business.

Pankaj: Very well understood. My next question is about pricing in ZEE5. Do you see room to tweak around the pricing? Or do you think the market is too low right now and let the pricing be?

Punit Goenka: We are competing in the market on pricing with everybody, and we have pretty competitive or even equal to whatever the pricing may be, maybe a little bit lower than them, but that is for the reasons for the content that we do not offer, whether it be sports or the English language content. So, I think our pricing is correct. And currently, we want to stick with this. But eventually, there has to be room for pricing to go up. That's the only way to grow the business, and not just in subscription, but advertising, subscription everywhere, pricing has to go up, that's the only way we can grow the business.

Pankaj: Got it. And just last question from my side. How should we look at the outlook of your Movies business? Any big bang release that is coming in probably this year? Or do you want to go slow in that business?

Punit Goenka: I wouldn't say we want to go slow. But again, as I said that given that we are focused on frugality and quality content, that's what we are going to focus on rather than trying to go out after big bang films. If you look at most of our successes in the last 2 years, have not been high-cost content. They have been reasonable cost or even low cost that has worked for us. So, I do not believe that we need to buy more expensive content just to make big bang and stuff like that.

So, from that point of view, we will think the right content that works for our DNA and work on that.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Private Limited.

Vivekanand Subbaraman: Punit, your current term as MD and CEO ends in December 2024. Have you engaged with your current large shareholders. What are the key markers between now and end

of calendar year that you've agreed upon with key shareholders? And how confident are you of a favourable shareholder vote for continuity?

Punit Goenka: Vivekanand, I have not engaged with any shareholder about my appointment or reappointment. I do not believe in that. The shareholders will decide whether I'm fit to run this company or not. I do not believe I have to reach out to them to agree on markers and other things. I've already given my own targets to you all in February of this year, reiterating those targets to you even on this call. So, at the end of the day, it is the shareholders who will decide whether I am the right person or not or somebody else needs to lead this company.

Moderator: The next question is from the line of Arun Prasath from Avendus Spark.

Arun Prasath: Punit, in your opening remarks and also subsequently, you emphasized a lot on the industry consensus when it comes to pay TV growth industry consensus. I understand it's between broadcasters, DPOs and as well as the regulator. Do you find at this point of time, there is a consensus or there is some difference in opinion, especially with the broadcaster who is looking to grow and who is likely to get merged and become bigger?

Punit Goenka: Arun, every deal that happens with DPOs is a bilateral deal. So, we do not negotiate as industry jointly. But we do work jointly as an industry with the regulator to work on the regulation of how this industry needs to be governed from a pricing point of view and those kinds of things. But we cannot have consensus on it. The industry cannot come together because that is not something that will be right because we have to all work on our strengths. And therefore, we do bilateral deals with DPOs whether it be DTH or cable or anybody else.

Arun Prasath: Okay. So, I'm trying to understand whether this pricing that we have kind of benefited from this, can this be repeated every year? Or will it be more like a once in 2, 3 years exercise? How is that thought process going at this point of time?

Punit Goenka: So as per the NTO, we have already taken price increases. We are in the midst of our negotiations with DPO. As I said, these are all bilateral negotiations and as they close, you will see the results of this. We do expect that the growth will continue. It may be moderated for quarter or two, or go up. But overall, the industry will grow on an annualized basis.

Arun Prasath: Secondly, on ZEE5, you have indicated the moderation of the spend, what is the challenge in the subscriber retention if you had to decrease content spending? And also, at some point of time, that increase the pricing plans. Do you think the retention is possible? Or do you think given that industry level subscriptions have saturated, wouldn't it be a big challenge to grow revenue if you reduce spend? What is the thinking behind this?

Punit Goenka: I don't think spend is the way to retain or to grow subscriber base. As I said earlier, quality content is what retains subscriber base. As long as we can offer quality content to our subscribers, they will stay with us. If you would have noticed in the last quarter, we have put out only 1 original series compared to several that we have done in the previous quarters.

Despite that, we have not lost any subscriber base. In fact, we have grown the subscriber base even in the last quarter. So, I truly believe that it's not only about spending, it's about offering quality content to the subscriber to maintain that thing. As far as saturation is concerned, I think the Indian market is still not in the position where they want to pay for quality content. Therefore, it will take some more time. But certainly, at some point in time, they will start to see the value of the content that all the OTT players, not just ZEE5 is offering. And the market will evolve. And if I were to give you the analogy when television went pay. At that point in time also, everybody asked that why the consumer would pay for it when they are used to getting it for free. But over a period of time, the consumers are used to paying for it because it then becomes usual general expense for a household.

Arun Prasath: Right, right. Internally, any targets on what kind of first profitability level you are targeting for ZEE5?

Punit Goenka: No. We cannot give you that breakup right now, Arun, because these are all proprietary and confidential information.

Arun Prasath: okay, at least some timeline when we can start expecting; 1 year, 2 years, 3 years?

Mahesh Pratap Singh: Arun, I think you would see losses narrowing down in near term, but we're not really giving a pointed timeline in terms of guidance with break even. We want to keep some flexibility open to be able to respond to competitive action, redeploy some capital back and all that. So, I think it's going to be a bit of flexible conversation, but definitely next

year, you would see lower losses than the FY '24 and you would see that trend line improving. Breakeven, we are not putting a certain timeline to it.

Punit Goenka: Arun, just to add to what Mahesh said, I would request all of you to just focus on the overall company's profitability, margins and stuff like that, rather than every vertical and things like that because I think that's the more important part for the stakeholders and the shareholders to focus on the overall company's performance rather than each vertical performance.

Mahesh Pratap Singh: Also Arun, just to go back to the point you made about spends in ZEE5. Please keep in mind that ZEE5 spending composition has also changed over the years, like when we started 2 years back, a lot of expenditure around 0 to 1 setup in tech and marketing, etcetera, were needed because you were establishing the platform, you're establishing the visibility and recall. As we move forward, lot of those expenses are tapering off because like Punit alluded in his opening remarks and answers, those expenses have delivered a very high degree of visibility, very strong tech platform and all that, which allows us to reduce spend overall, but still create reasonably meaningful room for content investment. So, it doesn't necessarily have to go in the same proportion, which gives us flexibility to play with those components.

Moderator: The next question is from the line of Aditya Chandrasekar from UBS.

Aditya Chandrasekar: A couple of questions from my side. So, the ad revenue growth we posted during the quarter was quite commendable, especially considering it typically a non-seasonal quarter. Just wanted to get some more color from you on where is the spend coming from? What categories maybe within FMCG are you seeing? Because when you look at some of the consumer companies results, this level of ad spend increase is not that visible. Also, if you look at some of the BARC data, etcetera, it doesn't come out. So, an 8% Q-o-Q growth is quite a good quarterly sequential growth. So, any color on that? And whether this is sustainable? Are you seeing similar trends in April and May as well? Any color on that will be helpful.

Punit Goenka: So, Aditya this trend is certainly sustainable, it may fluctuate quarter-to-quarter based on how the industry and the advertising sector performs. But I would say a large part of this growth has come on the back of our performance because all of our language markets have done reasonably or extremely well for us. And therefore, we've been able to get disproportionate share of growth in the industry. Of course, the industry also has spent more money as you would have seen from the FMCG companies reports

that their A&P spends have gone up significantly. So, from that point of view, I am, as always, cautiously optimistic that this trend should be sustainable. But we will see more colour over the quarters. We have seen 7, 8 quarters where these numbers are not visible, but I don't want to base my judgment on 1 quarter. So kindly bear with me, we will continue to work through this quarter-on-quarter with you all.

Aditya Chandrasekar: Can I get some color on how April and May have been? Are you seeing this uptick continue into April and May?

Punit Goenka: It's an upward trend, Aditya. That's all I would say.

Aditya Chandrasekar: Got it. Okay. And last question from my side. On ZEE5, I think, similar to the earlier question, so we have seen some competitor's kind of announced a big slate of content. So, we are seeing investments from, say, an Amazon Prime video or even a JioCinema on the entertainment and on sports side. Do you think we can take a call to kind of say that our content investments have been kind of taper it down while competition is going back and do you see any kind of risk of churn if we kind of reduce our slate of originals versus our usual run rate where we churn out a lot of original content in light of competition still being kind of aggressive, how do you kind of look at ZEE5?

Mahesh Pratap Singh: So, I think Aditya like I said before, we're not really intending to cede space or completely take our foot off the content. I think like Punit alluded; we will be selective in the choices we make. We don't have to really compete count to count, budget to budget with our peer group. I think we are coming from a space where a lot of our 0 to 1 kind of investment in tech, etcetera, are tapering off, which will give us flexibility to be able to selectively be tactical and aggressive about where we want to invest between Hindi, across language markets between Movies and Originals. So, we think we will do reasonable amount of content keeping in line with our business ambitions. But we're not going to be swayed away by a specific budget or genre or the kind of show which others are doing. We think we have a reasonably good handle on content, which resonates with our viewers. And we have reasonable room within our cost structure and our business direction to be able to fund that kind of content investment and acquisition.

Moderator: We have the next question from the line of Sameer D from Fair Deal.

Sameer D: It was nice to see some recovery sequentially as well as year-on-year in our results. And I wish the company achieves its targets and remains on the path of progress, which

for last 2, 3 years was missing. But now I wanted to know in our meeting in March, our chairman had mentioned that this Sony merger, etcetera, which was continuing, they hope that the things to be taken care in the NCLT. After that, we withdrew from NCLT, saying that we reserve right to come to NCLT, if at all, the arbitration proceeds are in your favour. What is the situation now? Now the matter is ending with Singapore arbitration tribunal and so are the hearings going on? Or when are they scheduled for that?

Punit Goenka: So hearing is scheduled, Sameer, I wouldn't have the dates handy on me right now. GC is not in the room but we can give you the dates offline, Mahesh can always let you know. But the arbitration proceedings in Singapore are continuing. We have withdrawn from NCLT only because we did not see any movement coming from Sony side in terms of any resolution. So therefore, we made a conscious call that we should withdraw from that. And it doesn't hamper the scheme in any manner because the scheme is court approved and therefore, remains intact.

Sameer D: If in arbitration proceeding, as we have really taken a lot of pains and we have closed some of the channels because due to the competition commission, etcetera, so really, we have also lost a significant amount of money as well as the effort. So, as you have rightly said that you have the options to, in case they say that they are wanting to charge a termination fee. But our stand is that we have already reasonably completed with all the precedent conditions. So, if we succeed in that, then still the NCLT can rule in favor of the merger and the merger can go on?

Punit Goenka: Sameer, these things are very sub-judice, so I would not like to comment on those things, but we will do everything that's possible to safeguard the interest of our stakeholders and the company. That is our prime objective. please be rest assured, and we will work on that.

Sameer D: And how should the investigation...

Punit Goenka: We will keep you updated on all these things quarter-on-quarter.

Moderator: The next question is from the line of Pankaj from Bank of America.

Pankaj: Just two quick questions. Last quarter, we called out that FMCG advertising is a little weaker in the Hindi heartland market. The growth that has come in fourth quarter, is

it leading across the board? Or have you seen north versus south, anything to call out this time?

Punit Goenka: I think we have seen that growth coming across the board. It may differ from market to market based on every FMCG company's own priorities as to which market they are focusing on, but nothing that we need to call out here.

Pankaj: Got you. Understood. And just one last very quick question. Are you in discussions with any strategic or financial investor as of now?

Punit Goenka: I would not like to comment on that, Pankaj.

Moderator: The next question is from the line of Sachin from SKCO.

Sachin: I wanted to know two things. Like there have been so many rumours regarding your fresh merger with Adani or any other group. Is there any truth in that? And second is after such a beautiful result, do you want to merge with any other company in future?

Punit Goenka: Sachin, please don't go on rumours. There's a lot of rumours in the market that go around especially for Zee, because we are in the media business and rumours has become part and parcel of our life. But please don't go on any rumours from that point of view. Whether we want to merge with any other entity or not, as I said, just now to Pankaj that I would not like to comment on that until we have some more clarity there. This is only 1 quarter that we have gone through of seeing good results. Right now, we've just come out of the NCLT proceedings of withdrawing our application. Right now, the focus of the organization is to rebuild the business and get it back on track. And therefore, that's the only thing that we are focused and working towards.

Sachin: Okay. One more question. Like recently, we have seen a lot of cost-cutting measures announced by your company. So how much do you think the impact will be on the next quarter for your profit of that?

Punit Goenka: As Rohit maintained in his opening remarks, there will be some onetime cost. Rohit do you want to take this ahead?

Rohit Gupta: Yes. we're still calibrating a lot of cost. And as Punit has already mentioned, all costs, we are looking at with a lens. That's why I pre-empted and said that there will be an impact in Q1, which will come in, very difficult to give any quantification as of now. But whatever that impact will be, we will call it out separately.

Mahesh Pratap Singh: And just to add to what Rohit said, our longer-term outcome from what we are doing in the near term is that our aspiration is that with all these efforts in FY '26, we want to strive for 18% to 20% EBITDA margin. So, while there may be a near-term impact in the next quarter, it will set us up well going into that direction, which we've articulated and reaffirmed in today's call.

Sachin: Okay. And I think this quarter result will give a big relief to the retail investor who have like believed in your company.

Punit Goenka: Thank you very much, Sachin.

Moderator: Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to Mr. Mahesh Pratap Singh, Head of Investor Relations for closing comments. Over to you, sir.

Mahesh Pratap Singh: Thanks, everyone. Thanks for taking time and joining us today. We hope this discussion was useful for you to get a perspective on our performance, and it answered all your questions. If you do have any follow-up questions or clarifications, please feel free to reach out to us. Look forward to being in touch and have a great evening.

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