



Extraordinary Together

Investor Call with Mr. Punit Goenka (MD & CEO, ZEEL)

February 4, 2019

Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Zee Entertainment Enterprises Limited Investor Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Bijal Shah. Thank you and over to you, Sir!

Bijal Shah:

Thanks, Janis. Hello, Everyone and Welcome to the Call. This call is to further update our analysts and investors about the understanding which has been reached between the principal shareholder, Essel Group, and the lenders.

We have with us Mr. Punit Goenka - Managing Director and CEO and part of the promoter family to update you on the development.

We will start with a brief statement from Mr. Goenka which will be followed by question and answers. The duration of the call will be 30 minutes.

Before I pass it on to Mr. Goenka, I would like to remind everybody that anything that we say during the call that refers to our outlook for the future is a forward-looking statement and must be taken in the context of the risks that we face.

Thank you and over to you, Mr. Goenka.

Punit Goenka:

Thank you, Bijal. Good morning everyone. Thank you all for joining this call at such a short notice. I'm glad to announce that through the last week the promoters met with the lenders of Essel Group again and formalized the understanding which was reached last weekend. As I had indicated to you all on the call last Monday, formal consent from lenders covering all major lenders including mutual funds and non-



banking financial companies having pledge on shares held by the promoters in Zee Entertainment.

Let me reiterate that as per this consent, the lenders have agreed that there will not be any event of default due to the movement in the stock price of Zee Entertainment. This consent gives the Group's management the required amount of time to complete the process of strategic sale of its key assets without any compromise on the value for any of the stakeholders.

Now let me address some of the concerns related to sale of promoter shares. Since the stock price volatility which happened on 25th January, 24.38 million promoter shares have been sold. Promoters holding now stands at 39.08% in Zee Entertainment.

Lastly on the stake sale process, things are progressing well with the potential strategic investors and there has been no change in the commentary from what we had indicated on the call last Monday. We are confident of finding a suitable partner for the company.

The Essel Group is and will be subject to further media trials. I request all of you not to react to the same and reach out to my team for any clarifications. The promoters are committed to the intent of resolving the matter, keeping the interest of minority shareholders and the lenders.

With that I will now open the floor for question and answers.

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

Abneesh Roy: My question is there are two timelines; one is September 30 for the Essel and April deadline which you have mentioned on Zee. Supposing you don't get a very good value till April 30, can you actually extend that also because still you will have almost 4-5 months to close that and get the money? Could you clarify on that?

Punit Goenka: I think the deadline that we have with the lenders is not just on the ZEEL stake but also on the other divestments that the group is running and therefore there is no change from the ZEEL perspective as we speak but that gives me the confidence on multiple other things.



Abneesh Roy: You have also mentioned in the interview that lot of the US strategic investors are also there in the talk. Now just one question, US companies are very strict on these kinds of issues wherein any controversy happens. And all that so, in the last 2-3 weeks you have seen the different controversies which we are all aware of, so will those US strategic investors still be open in spite of all these controversies?

Punit Goenka: Abneesh I have not heard to the contrary from any of the potential strategic so far and I think they all understand that the media trial is happening for the promoter at Essel Group level and does not subject Zee Entertainment, the company, to any such controversies. So, we would have to satisfy all their concerns, but I have not yet heard anything contrary even through our bankers or directly from them.

Abneesh Roy: Last time you had clarified that there is no more International pledging apart from whatever is there in the domestic lenders. Now again that news article came last week, and the stock also fell post that. So, if the deal happens, whatever is there in the international deal currently, that stake, is it available, is it free? How does that work, even if no pledging is there are they available for sale to the new partner?

Punit Goenka: Abneesh let me just put this point to rest once and for all. The total loan against shares, in whatever form whatsoever of the promoters against all their listed assets is 13,500 crores and you would appreciate that ZEEL is only one part of that total equation of the promoters. And therefore, we are very confident that through the strategic sale process of just the Zee Entertainment we should be able to satisfy all the lenders, including pledges of beyond the Zee Entertainment pledge also.

Moderator: The next question is from the line of GV Giri from IIFL Capital. Please go ahead.

GV Giri: Just quick update if you can on what's been the change between the Republic day and now in terms of your talks with investors, the strategic investors?

Punit Goenka: I think in this kind of a negotiation, and you would agree that this is the first of its kind that's happened in the history, it's a very complex negotiation, including the documentation having been vetted by the legal departments etc. of both the sides, including going to the respective boards/committees that you have. So, that's a process that has been run within one week and we are very glad with the outcome of the same.



- GV Giri:** Has there been any impact of the fact that the stock is available at a more attractive price and the playing field is widened or you don't see much change in that?
- Punit Goenka:** I am still very confident Giri of the intrinsic value in the company. But having said that I would not like to speculate whether they will use this situation of the stock price having come down to their advantage in our negotiations. We are yet to reach that part of the negotiation and I am still pretty confident that we should be able to address the concerns of all the stakeholders as well as the lenders.
- Moderator:** The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.
- Himanshu Shah:** Just want to understand one thing; is there any possibility of any further pledge share sale or now we have arrived at agreement with all the lenders?
- Punit Goenka:** We do not expect any more pledge selling to happen. But as you would appreciate in the 100 meter race we are at probably 90-95 meter mark right now and we still need to get the 100% thing done. But I am hopeful and confident that nobody would break ranks going forward.
- Himanshu Shah:** In today's media interview there has been some indications that deal may happen even sooner than April deadline. Can we expect that basically?
- Punit Goenka:** We are working at breakneck speed Himanshu to get the thing done. So, I can't comment whether the deal will get consummated before that deadline, but we are working as fast as possible.
- Himanshu Shah:** But an agreement or anything feasible?
- Punit Goenka:** Will come back to you with more color on that Himanshu as and when that happens.
- Himanshu Shah:** We have indicated in fact we have mentioned that Star India valuation happened at \$12 billion and it actually closed at \$17 billion, so is it fair that give or take because of the current situation and for maybe Sports or Hotstar kind of business for Star, can that be indicative valuation or something?
- Punit Goenka:** Firstly, we have not given those numbers Himanshu. That is the media that has pulled that out. But if that is the benchmark, yes, that is definitely an established benchmark



in the market. But whether the deal happens at that level or not, I am not in a position to comment right now.

Moderator: Next question is from the line of Jatin Chawla from Credit Suisse. Please go ahead.

Jatin Chawla: The first question is on this formal consent, what do you mean, is it some sort of a legal document that is signed? What kind of rights do you have if the party is going to kind of breach it?

Punit Goenka: It is a legal document that I'm talking about. The rights etc. I am not at liberty to share because of confidentiality with the lenders. But as I said in my opening remark this is what it calls for is that there will not be any event of default for the standstill period and that's the rights that we have.

Jatin Chawla: When you say all the major MFs and NBFCs are covered, what part of the value-- 13,500 crores that you mentioned what part—of that is covered by this?

Punit Goenka: Can you say that again?

Jatin Chawla: When you said all major MFs and NBFCs have agreed to this, what part of the value of the loan is covered, because we have seen in the last one week 2% of the company has been sold and you had mentioned about 95%-96% of the lenders are covered. So, I am just trying to figure out if beyond those 4%-5% who had not signed up now everybody else is kind of covered by this.

Punit Goenka: So, given what has happened in the last one week Jatin, I'm not at liberty or I am not given the authority to share that number today with you. But I can tell you that we are confident, we don't expect any more selling to happen. But having said that we have to play it one day at a time.

Moderator: Next question is from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: Your interview mentions that you don't have any NDAs signed with any domestic investors. But it seems to suggest that there are NDAs signed with foreign investors. So, could you give us an indication on that? Are there NDAs already signed with anybody from outside India?

Punit Goenka: Yes Kapil, so the process at the beginning itself was that if anybody were to participate in the process they have to sign an NDA with the promoters and we have executed



successful NDAs with international companies as I had mentioned in my press interview.

Kapil Singh: Looking at the progress how soon can we expect more concrete information to come out?

Punit Goenka: As I said Kapil we are dealing with it on a daily basis and therefore as soon as we have some color we will be out talking to you all again.

Moderator: Next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Just wanted to check on media interactions earlier, you did mention that in terms of our perspective strategic partner digital/geographical reach remains our priority. The way things have unfolded over the last few weeks; do you think there is any change in the pecking order, your thoughts on it basically?

Punit Goenka: No, Ankur that determines remains the focus even today.

Ankur Periwal: Now since the promoters' stake has also come down a bit, though not as substantial, but still the original thoughts to sell up to 50% of the promoter stake that remains the same or probably we may look at a higher quantum as well?

Punit Goenka: Our intent has not changed Ankur, but if somebody is making an offer beyond the 50% stake we will look at it. But as you would understand that the number that went as part of our IM to these people was at a 20%+ number. So, something that stands in the offer documents that we have.

Moderator: Next question is from the line of Rajeev Sharma from SBI Cap Securities. Please go ahead.

Rajeev Sharma: Punit just trying to understand if there is a market volatility for any particular reason for the broader market, how does this whole agreement work with the lenders. And secondly there have been some media reports about process not being or stock exchange not being made aware or something, so if you can throw some light on that. And also some articles about some pledged shares being sold in the market on Friday, so some clarity on there will be very helpful.

Punit Goenka: In terms of the pledged shares I said in my opening remark that total of 24.38 million have been sold and the promoters holding now stands at 39.08%. All the required



filings with the stock exchanges as per the law have been complied with by the company and by the promoters. As far as the volatility in the market on pricing goes, our agreement with the lenders also stands still despite any volatility that maybe there in the market and I am confident that the lenders will adhere to that.

Rajeev Sharma: You talked about this in your interview in the papers today on Zee5 but there could be a change in track that you just go with some kind of valuation at Zee5 and not Zee in total?

Punit Goenka: That would not work for the promoters because until and unless the promoters stake is sold in the parent company we are not able to take care of the lenders concern and therefore it will have to be at the parent level. It could be parent and subsidiary but not only subsidiary.

Moderator: Next question is from the line of Aman Fester from NP Asia. Please go ahead.

Aman Fester: I have one question about the agreement, actually two. So, I get that you can't really share details but can you confirm that there is some recourse to the lenders if they do decide to sell before the deadline and I guess the second thing is on incentive. So do they have some sort of sweetener if you do get a deal done in somewhere just about kind of recovering because I think where I am coming from is if you have mutual funds and you have redemptions you have to answer the shareholders. It's tough to have one of these agreements in place and not have an out, so I am just wondering how that works.

Punit Goenka: I think the lenders have mutually come together to allow us the time that we have jointly worked out with them in terms of getting the process sorted and getting them the requisite value towards their outstanding. In terms of sweetener, yes, there is a sweetener as part of the commercial transaction which goes beyond just recovering what we owe them.

Amin Fester: And penalty if they do is there something about nature?

Punit Goenka: Penalty in terms of if they breach the contract?

Amin Fester: Yes.

Punit Goenka: No I don't think we have built-in any penalties of that kind but it's a very lengthy negotiation and I am not at liberty to share much details on that, I'm sorry for that.



But I'm pretty confident that the group of lenders will work with us as one team to make sure that we get out of this solid.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: You mentioned that total loans are only Rs. 13,500 crores, does it include all group loans or only the loan against shares? Rs. 13,500 crores, you can recover just by sale of your infra assets, can you just clarify on this number of 13,500?

Punit Goenka: Yes, that's correct. Rs. 13,500 is the loan against shares of all the listed companies of the promoters. Other operational related loans are within those companies and do not impact the shareholders or the promoters in any manner.

Kunal Vora: So, as and when you sell infrastructure assets, what amount of money can be used to pay-off these 13,500 crores? What will be the equity, which you will realize which can be paid off?

Punit Goenka: As we have stated in the past also, that the total equity realization we are expecting from all of the three verticals of the infra assets sales is about Rs. 80 billion odd, but that will take time to be realized, and therefore this second step was put in place. So we are working on market multiple strategies as and when which fructifies first, all of that equity realization will go towards payment of this facility of 13,500 crores.

Moderator: The next question is from the line of Mahrukh Adajania from IDFC. Please go ahead.

Mahrukh Adajania: The standstill in September 2019, does that also apply to the installments or the interest due on bank loans?

Punit Goenka: Yes, it will cover interest and the principle the amount to date plus, whatever accumulates until the deadline for us.

Mahrukh Adajania: For the subsidiaries also? I mean, for the Essel SPVs is also?

Punit Goenka: I didn't understand what do you mean Essel SPVs?

Mahrukh Adajania: I meant that for the principle and interest overdue, from the SPVs Essel Group, like an infrastructure company, does that cover that also?



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Punit Goenka: No madam, we are referring only to the loan against shares of Rs. 13,500 crores in this. Any loans in the operating companies of the Essel group are the responsibility of the operating companies and not the promoters.

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

Jay Doshi: Punit, would you be able to give us some color on when do you expect the offers to come in, at least non-binding ones, and how will the information flow to the equity investors because I understand that, lenders would be engaging with you during this course of the next on a regular basis, so just want to know will there will be any information asymmetry between lenders and equity investors given that they are involved in the process?

Punit Goenka: First and foremost, let me put this up front that firstly the shareholders' interest will be kept in mind before involving lenders in any manner whatsoever. Yes, you are right, the lenders would be involved in some capacity, for us to pass information on to them, but we will definitely keep the shareholders informed even before we go to the lenders with any such information.

Jay Doshi: So tentatively when can we expect the next update from you, will that be after you receive all the offers or it will be at a fairly advanced stage?

Punit Goenka: I think Jay, most likely once I have all the offers in, even the non-binding ones, is when I will reach out to all of you and share more details and color on it.

Jay Doshi: On the earnings call, you had indicated that you are engaged with more than two players, does that still hold, are you expecting offers from at least two or maybe more players?

Punit Goenka: Yes, that still holds it.

Moderator: Due to shortage of time, we would take the last question from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: You did mention in this call that while the timeline for the lender agreement in September, April is more like a timeline, you are looking for the stake sale to happen. I just want to understand is this more like a self-imposed timeline by you guys or there is more like hard stop from lenders to complete the ZEEL stake sale by around March or April?



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Punit Goenka: No, the March–April deadline is something that we have set for ourselves and that has nothing to do with the lenders. To reiterate Sachin, the lenders deadline is not just for the ZEEL stake sale, but it's also because we are and have multiple assets that we are selling currently covers all of that as well. So, as the company, we are still focused on our April deadline, but with this cover of the lenders we get some extra time. Not that I'm changing my deadline from the company.

Sachin Salgaonkar: We are in Feb and typically the due diligence after signing up an initial agreement does take more couple of months. So just wanted to understand that why so fixated on March-April, there is always a risk that April may move on to May. So just wanted to understand that better.

Punit Goenka: I have always worked with the deadline and not just for stake sale, but for every decision that we make as a company. If the deadline has to change for whatever reason, you will hear from me first even before you hear from the market or anywhere else. I'm not fixated on any deadline, but as from a company and a business leader of the company's concerned, I have always worked with deadlines as my goal and targets and that's what you see in my results quarter-on-quarter. And therefore, I like to work with deadline, but if it changes I will be the first one to come out and talk to you Sachin.

Sachin Salgaonkar: Just wanted to understand better, what has changed since the last call and now, in the sense at that time you had mentioned that there was more like a written agreement with the lenders. So, from now to this point, wherein you said on this new agreement, so what has exactly changed in a week's time?

Punit Goenka: We were talking about that this kind of a negotiation and transaction agreement with the lenders is a complex one and it's the one of the first of its kind that it's taking place. Therefore, the legal vetting, the process of getting internal approvals on both sides of the lenders as well as our side is what has changed in the last one week.

Moderator: Ladies and gentlemen, that would be the last question for today. I would now like to hand the conference over to Mr. Bijal Shah for his closing comments.

Bijal Shah: Thank you everyone for joining call at such a short notice. If you have any question which is yet not answered in the call, you can reach out to anyone in Investor Relations team. We are available 24/7. So please reach out to us if you have any more questions. Thank you.



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Moderator: Thank you very much ladies and gentlemen. On behalf of Zee Entertainment Enterprises Limited we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.