



Zee Entertainment Enterprises Limited

Q4FY19 Earnings Conference Call

May 27, 2019

Moderator: Ladies and Gentlemen, Good Day and Welcome to Zee Entertainment Enterprises Limited Q4 FY19 Earnings 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 phone. Please note that this conference is being recorded.

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

Bijal Shah: Thanks, Stanford. Hello, everyone and welcome to Zee Entertainment Earnings Call to discuss Company's performance in 4Q FY19.

Joining us today on this call is Mr. Punit Goenka -- Managing Director and CEO of Zee Entertainment, Mr. Rohit Gupta -- Chief Finance Officer along with members of senior management of the company.

We will start with a brief statement from Mr. Goenka on the fourth quarter performance subsequently we will open the call for questions.

Before I pass it on to Mr. Goenka, I would like to remind everybody that anything we say during this 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. I would like to welcome everybody to this call and appreciate your joining us for the discussions on the results of the fourth quarter of fiscal 2019.

We have delivered another quarter of strong operating performance which is commendable given the challenges the industry is facing in implementing the TRAI tariff order. As I had indicated earlier, the implementation of this new regulation has led to short-term disruptions, impacting our subscription and advertising revenues during the quarter. For the fourth quarter, our domestic advertising revenue grew by



17.7% YoY and domestic subscription revenue grew by 3.9% YoY. The domestic subscription growth in fourth quarter was muted due to multiple shifts in the tariff order timelines and the difficulties the distributors faced in coping up with the consumer demand. Despite that, our full year subsection revenue growth of 17.4% is ahead of our initial estimates as well as the industry growth.

I'm reasonably certain that with our decision on pricing, our excellence in on ground execution, and finally the strong uptake of our channels, we will have an upside in our subscription revenues. My optimism on subscription revenue is essentially an outcome of our share strength across markets. We continue to be leaders in Marathi and have strengthened our lead in Bangla. We are now leaders in Urban + Rural markets in Kannada for the first time ever. We've strengthened our share in movies and despite the decision we have taken on FTA channels we expect to further increase our share gap versus our competitors in weeks and months ahead.

On the advertising front, growth was impacted due to advertisers pulling back on spends due to the uncertainty in the interim period and the decision to move our two key channels out of the FTA portfolio. The tariff order should settle down soon and I expect the advertisers to resume spending once that happens. Further, with the elections behind us, I believe that the newly formed government will stimulate the consumer demand which has seen some signs of moderation recently.

During the fiscal 2019 we delivered a strong 21% YoY growth in domestic advertising revenues led by the market share gains in our broadcast business and monetization of the fast-growing user base of ZEE5. Our broadcast ad growth particularly is significantly ahead of the market growth and as always our endeavor would be to continue growing ahead of the market.

Now coming to ZEE5 which has completed one year of operations; ZEE5 entered the year with 61.5 million monthly active users making it the fastest-growing digital platform in the country. We have released Over 60 original shows and movies on the platform till date which makes it the largest producer of Indian digital content. We have significantly stepped up the pace of our new launches and the content pipeline for the next one-year is firmed up. On the partnerships front - ZEE5 further expanded its telecom partnerships and is now available on all major telecom networks. We will continue to scale up ZEE5 on the three pillars of content, technology and partnerships.



On the international front, ZEE5 has witnessed a strong start in the neighboring APAC countries. It has entered into multiple telecom partnerships in countries like Malaysia, Sri Lanka, Bangladesh to ensure a wider reach for the platform.

Movies is one of the most important avenues of entertainment for Indian consumer and a key long-term growth driver. Our strong presence across broadcast, digital and international businesses allows us to exploit movie rights better compared to our peers. Our broadcast business offers 8 Hindi movie channels and 5 regional movie channels. We are now set to expand our regional movie business further and we intend to launch 3 new movie channels. Our 3500+ movie library across 12 languages on ZEE5 creates a unique competitive advantage for it. Since its launch, ZEE5 has premiered 80+ movies across languages. Our movie library also helps us build popularity of our channels in international markets. To further strengthen our movie offering, we have significantly ramped up our movie buying across languages. We have also entered into agreements with various content aggregators and production houses for acquisition of movie library, output deals and future rights. This will help us further improve our already strong position in the movie genre across businesses.

Coming to the FY19 financial performance, our overall revenue grew by 19% YoY to Rs. 79 billion. EBITDA for the full-year stood at Rs. 25.6 billion and EBITDA margins were at 32.3%. The cash and treasury investments stand at Rs. 23.1 billion.

Finally, I would like to give you an update on the progress of promoter's stake sale. The discussions with the identified buyers is progressing well. With the political uncertainty behind us we expect the discussion to progress at an accelerated pace and we are confident of signing a binding agreement by July.

With these opening comments I would like to address any questions that you may have.

Moderator:

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

Abneesh Roy:

My first question is on two book keeping items. One, why has the financial liability gone up so much? And second is this exceptional item of 22 crores in the online media business, which business is this and can this be recovered in the later quarters?



Punit Goenka: The first one I will let Rohit answer and the second one is on account of india.com, the business that we have as a publishing business. There is an impairment that we have taken on that. First one, Rohit, can you please cover?

Rohit Gupta: Towards our financial liability, if you are looking at the other current liabilities, it has increased from Rs. 2,580mn to Rs. 8,029mn and this is primarily the advances that we received from our customers, mainly from our subscription customers and these are multi-months deals that we have entered into and these will be offsetted over months.

Abneesh Roy: My second question is on the FTA. We have seen in Q4 quite a few FTA across the broadcasters move towards the pay. So obviously in the start there will be some loss because of advertisement income. Do you see that getting compensated by the subscription and overall advertising in the longer term and when do you see that longer term, what is the period of that?

Punit Goenka: Yes, definitely we see that improving on the subscription front and also part of that gains will come on the paid advertising side as well. Over the period of this full financial year we should be in a position to enter next fiscal with full recovery.

Abneesh Roy: Any learnings from these big budget movies like Manikarnika? Yes, they do create lot of buzz, but from a return ratio and margin's perspective, not just for you, across many time periods and across producers, we have seen that these don't make much sense from numbers and return ratio perspective. So, any learnings and do you want to do smaller budget movies more, is that the learning from this?

Punit Goenka: Abneesh, as you know this was the only one off that we have done which was a big budget film and because it was a period film, that's why it costed a lot more. But our focus has always been to be in the small to medium budget films barring which we may have 1 or 2 opportunities that we may look at. But you are absolutely right that we will focus our energies towards small and medium budget films.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S: On the TV side how much has your reach been impacted? I'm asking this because you had issues with distributors like a large Gujarat-based and a Punjab based cable MSO and how much did that impact your ad and subscription revenue in the current



quarter? Extending this question can you also comment on your guidance for FY20 on ad and subscription revenue in the domestic side? That's question one. Then the second question pertains to your digital strategy. You mentioned in a note in your financial release that you have made substantial advances around Rs. 690 crores to content producers, so currently the monies appear to be coming from your TV business. Why not license some of your old content, like movies or shows like Hum Paanch or Pavitra Rishta, to other digital platforms so that you can fund your own direct-to-consumer business better?

Punit Goenka:

The first question on the reach side, as an industry the reach drop has been about 4-6 percent (point), different for different genres. For us, in the Hindi genre we have seen slightly more than the industry drop. But we are confident that in the coming months we will recover this and therefore things should go back to normal. On the digital side, I think that's kind of, what is the right word I'm looking for, counterintuitive, to be licensing our family jewels to third party to raise money to invest in fresh content. We would rather use that content on our own platform to strengthen it rather than giving it to third-party. So therefore, as a strategy we believe that this money that we have given as deposits for content creation for the future is in the right strategy, for not just ZEE5, but this is cuts across all of our businesses, whether it be broadcast, international as well as ZEE5. Did I cover it all or did I leave anything out?

Vivekanand S:

One small thing, you didn't touch upon which was the FY20 outlook for ad and subscription.

Punit Goenka:

FY20 outlook for the industry on advertising will be low double-digit, that is my expectation and of course, as ZEEL always does, we will expect to beat that. On the subscription side, it is little hard to tell at this time. Our guidance, which was of low teens, still stands but I will be revisiting this guidance may be at the end of Q1 and we will talk to you more at that time, and that obviously is for it to get better not otherwise.

Vivekanand S:

One small follow up, as regards to the digital strategy I understand that shows like Abhay or The Final Call or Rangbaaz, these are shows that allow you to attract a lot of new customers to ZEE5. But if I look at the library of ZEE5, I mean the library of original content that you have, shows like Hum Paanch, Pavitra Rishta, they are incredibly popular and you could very well benefit from getting cash flows to fund ZEE5 better with this approach, because it may not impact your subscriber addition given that you



are launching so many new shows. So I am not saying that one should look at licensing out the new content you produce but the library content. Why not have that monetize better by distributing it or giving rival platforms or aggregators like Netflix an opportunity to acquire that temporarily and pay you money?

Punit Goenka: Vivek let's take it off-line. I mean I have understood your point, but it's better that we discuss the strategy in more detail offline rather than trying to do it here on this call.

Moderator: The next question is from the line of Pratik Rangnekar from Credit Suisse. Please go ahead.

Jatin: This is Jatin, from Credit Suisse. Couple of questions, so one is this practice of giving out large amount to content aggregators, is this the normal way in which we have always acquired movies, because in other listed companies or even in ZEEL, logically I don't think we have seen this phenomenon. So, is this the new strategy that we are embarking on?

Punit Goenka: If you look at Jatin, the entire industry operates like this. Most of my peers operate through aggregators etc. in the industry. While ZEE was not doing that so far, but in light of the competition plus the amount of content that we need to aggregate, again repeating, for ZEE5, domestic broadcast business and international, we have proactively taken the step to block content which is being produced for the future.

Jatin: This income of 17.5 crores that has been booked as other income what was the amount on which this other income has been booked?

Rohit Gupta: So, this Rs. 17.5 crores is actually other income. Some of the advances where we have actually got the return, where the amount has been refunded, we had actually charged interest. So, 17.5 crores is the interest on amount which have been refunded.

Punit Goenka: The amount varies from time to time, so it's not a one event, it's a multi event way of calculating, so will be difficult to give you a one full amount.

Jatin: You have also mentioned in the notes to accounts that you are modifying your systems and processes on this kind of content aggregation strategy. So what are the kind of changes that you are looking to make and was there some gap found that you are looking to kind of changing?



Punit Goenka: The largest thing was that while we were buying content only for broadcast so far, but since digital has come into the play, our strategy on the content aggregation has changed because we are buying multiple rights now and therefore our systems need to be updated for that, and for bringing in synergies of joint negotiation and buying for multiple rights. So, this cuts across ZEE5, broadcast, music publishing label, all of that.

Jatin: When was this 693 crores kind of interest-rate deposit given, again is it one single party or multiple parties and hence the timelines would be different?

Punit Goenka: It will be different Jatin, it's three parties and the amounts are also different and the different timings.

Jatin: Are you now in discussions with financial investors as well or are you limiting yourself to strategic investors only?

Punit Goenka: Let's take that off-line. I've already made a statement on this thing. Let's stick to Q4, we will otherwise run out of time.

Moderator: The next question is from the line of Siddharth Bera from Nomura. Please go ahead.

Siddharth Bera: First question is on the advertisement side. So, as you have indicated in the opening remarks that in this quarter, we have seen impact of lesser viewership and pulling out of FTA, despite that we have still grown advertisement revenues by close to 18%. So just wanted to check, I mean is this growth representative of whatever impact we have seen in the quarter or there is some more which is yet to come in the subsequent quarters?

Punit Goenka: No, it's yet to come. I think you will see Q1 also been impacted but beyond that I don't expect it to continue for too long.

Siddharth Bera: This ad revenue growth will also have some benefit from the digital segment revenues going in as well?

Punit Goenka: Absolutely.

Siddharth Bera: My second question will be on your balance sheet side. So, inventories if we see have jumped sharply in the last six months. Any color you can share on that, is it purely because of movie buying because in the initial part of the year we were expecting



that it will not go up very sharply this year but then it has again gone up, so just wanted to check and any color if you can give us for the next two years?

Punit Goenka: Definitely, we have taken a conscious decision to continuously invest behind the movie library and even other content whether it be for ZEE5, domestic market or even international markets. We will continue to see heightened investments but despite that I'm confident that the EBITDA margin will remain at 30%+.

Siddharth Bera: So, this type of increase can continue even in FY20 and FY21, is that what we should expect?

Punit Goenka: I can't say exactly this amount because we only have visibility one year down the line what content is being produced etc. I am saying this is what it is for the current year and we will come back to you sometime in middle of this year to let you know what happens for the following year.

Moderator: The next question is from the line of Yogesh Kirve from B&K Securities.

Yogesh Kirve: If you are seeing the other financial assets on the current side has moved up sharply from about Rs. 180 crores to Rs. 1000 crores, so does this pertain to the interest rate advances that we talked about?

Rohit Gupta: Yes this is the interest-rate deposit which Punit just mentioned that is accounted for and in the other financial assets.

Yogesh Kirve: Can you just tell us what are the cash and cash equivalents at the end of the fiscal?

Punit Goenka: It's 23.1 billion.

Yogesh Kirve: Regarding the ad growth, we have seen ZEE outperforming the industry for last couple of years. So considering that this year we have the World Cup and which tends to absorb lot of ad spends, so do we still aspire to grow beyond the full industry growth in current year?

Punit Goenka: Absolutely 100%.

Moderator: The next question is from the line of Karan Taurani from Elara Capital.

Karan Taurani: My question was pertaining to the subscription revenue growth. Since you point out that you will be looking at the guidance again next quarter, but given just 4% growth



in this quarter, I think you'll require almost close to about 18%-20% kind of growth for the next 3 quarters to get to that number of low-teens or mid-teens. What are the risk factors over here and why are you not cutting the guidance now?

Punit Goenka:

Because we still have almost 3 to 4 deals that have not yet happened where we are not in the desirable packs. Secondly, we have not received the reports from all of the parties till date that we should have had by now. We are taking it up with TRAI against these errant parties. So right now, I will be firing in the dark, therefore I have given you my intuitive judgment. By Q1 I hope to have all these in place to give you a proper guidance.

Karan Taurani:

And this is second on the distribution part as well. What is the kind of impact you have seen in terms of dealing with MSOs, how are they responding in terms of pushing the channels and why this entire thing of rejigging the channels, like for example, Zee Anmol firstly was priced at Rs. 1, then 50 paisa and then free. Now again it's become a pay channel, so what is the reason for so many shifts happening in such a short span of time?

Punit Goenka:

It's a black swan event that has happened in the industry. It's not something that we witness year-on-year and therefore we have to go out there and make sure that what we are going out with works, and in that situation there are times when we may have made certain assumptions while taking the pricing into the market, realized that this pricing may not work and we have gone and revised it. And from that perspective, I think we have set the benchmark for the entire industry on what the pricing for content to the consumer should be, and I think that's where the leadership of ZEE has been demonstrated. Plus, the share gap that we are looking at maintaining between us and our next competitor itself gives me the confidence that this entire growth will come back.

Karan Taurani:

In terms of dealing with the MSOs how has that changed post the NTO implementation?

Punit Goenka:

Dealing with MSOs has now become far more simpler. Apart from a few MSOs who are still not coming around and trying to find backdoor entries to do deals which we have shut completely, most of them are falling into place and following the tariff order as prescribed by us and by the regulator, and therefore it should only make business simpler, rather than the bilateral negotiations it will be transparent.



- Moderator:** The next question is from the line of Rohit Dokania from IDFC.
- Rohit Dokania:** Could you talk about the free cash flows generated in this fiscal?
- Rohit Gupta:** So, the free cash flows generated during this year is Rs. 230 crores*.
- Rohit Dokania:** Two parts to this question, one is the 245 crores of advances that is kind of yet to be recovered. So, to which parties is that and what is the status of that? Is there a possibility that we might not be able to recover it? That's the first part and the second part is this the other sort of advances of Rs. 693 crores, what was this amount at the end of FY18 balance sheet or H1 FY19 balance sheet?
- Punit Goenka:** On the 245 crores, Rohit, all of it will be recovered in form of either inventory or cash. These are multiple parties. Some of them have already submitted inventories that they want to sell to us which we are evaluating as we speak, and in the next quarter itself we will come out with the final outcome of those. The parties that we do not take the inventories from will give the cash back. So that is the answer on that. On the 693 number, the number for that in the last fiscal would have been insignificant because most of those would have happened within the year itself when advances would have gone for shorter period. This is the first time that it is going out for a longer period of 11 months.
- Rohit Dokania:** So the current pricing of your channels under the new tariff order, do you think is it a fair pricing from a market standpoint or do you think this could go for some revision as far as that's concerned?
- Punit Goenka:** I will only use an example that all the DTH companies have used our pricing and placed us in bundle that they think is best from the consumer perspective. That gives me the confidence that my pricing is bang on. It's only errant MSOs who are trying to make additional money because they were paying us lesser than what we deserved, other ones were acting difficult, but which through our content pool and marketing efforts from a B2C basis I'm pretty confident that we will get it back from them.
- Moderator:** The next question is from the line of Rajeev Sharma from SBI Capital.
- Rajeev Sharma:** First is Punit, just wanted to know what steps have been taken to improve the reach. You mentioned that there has been some drop in reach of 4% to 6%, so what are the steps you are taking to improve the reach? And secondly this whole move from FTA to pay, so what is the kind of incremental revenues we would need to offset this kind



of change in strategy which we have done for Anmol and other channels? And lastly, TRAI has been suggesting that this tariff order has resulted in increase in prices for consumers and it's likely to put up a consultation paper on bringing this down. So you mentioned about benchmark pricing and all but do you see risks to yields in the coming days?

Punit Goenka:

On the reach side we are working with MSOs and DTH companies to do joint marketing to the consumers, and wherever the MSOs are not agreeing with us we are doing ourselves consumer marketing for them to make the choice unilaterally. So that's the only avenue available to us, either jointly go with the distribution company or go on our own wherever they are errant. On the FTA side, it is imperative for us to arrest the de-growth on the pay subscription side of the business. If you track the last 4 to 5 years, the significant growth that you saw which came on DD Free Dish, and you all track DTH companies and the listed MSOs, so you can see the numbers which were pretty much stagnating and therefore it is in the interest of the industry then we had to pull out from the FTA strategy. Secondly, the kind of revenue required, it's difficult for me to quantify and say it on the call. But as I said, by the exit of FY20 that will be fully made up and therefore we should not see any loss beyond that.

Rajeev Sharma:

And lastly on the TRAI thing?

Punit Goenka:

TRAI thing, let's wait and see what the consultation paper is, because frankly I went to TRAI myself and told them that your tariff order will increase this pricing and they didn't believe me at that point in time. But let's see what the consultation paper they come out with. My view is that any more disruption to this will have an upheaval not just from the industry but now even the consumer.

Rajeev Sharma:

There is a discussion that, that 15% clause could come in and that could make things, the difference between package and a-la-carte, so those practices could change further. Is that a possibility or that will lead to litigation?

Punit Goenka:

It will lead to litigation because that would mean trying to go against the Supreme Court judgment and why will we take it lying down?

Moderator:

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

Kunal Vora:

Your channels were missing from base pack of some of the larger MSOs as well as South India-based DTH Company. Do you think having the distributor on your side has



become more important now or it doesn't matter and how was the customer behavior in case your channels were not in the base pack? Did they mostly opt for channels à la carte or did you miss out on some viewership because of that?

Punit Goenka:

Definitely it's not straightforward as to what happens when an MSO doesn't put our channels in base pack. Even if the consumer is calling the MSO and asking for the base pack or even taking à-la-carte, the general tendency of the distributors is that there is some technical fault and we can't do it. That's the way they put pressure back on to us. Definitely there is an impact on reach and it's a matter of who blinks first, so we have to find it out and make sure that from the errant MSOs we do not succumb to them, because keep in mind whatever we agree with the errant MSOs becomes applicable suo moto across the distribution business. It's like saying that 'okay if three guys are not agreeing why don't we do a side deal with them'. There are no side deals anymore possible. Whatever deal I cut with these three MSOs will be applicable across the board and that will be killing the subscription business of the company. Therefore, we are choosing to fight it.

Kunal Vora:

Do you think that the consolidation on the opposite side shifts the bargaining power to the MSO side as there is a consolidation which is happening?

Punit Goenka:

At the end of the day now it is about consumer. What this regulation chooses to do is to bring in the forefront the consumer to make the choice and eventually that will prevail, whatever is happening right now is all short-term. We should be patient to see what comes out of this whole process for the next 2-3 months. I am pretty certain that it will be beneficial to all. I tried to explain to MSO and to the distribution companies that it is in their interest now because the pricing has become B2C, the more they sell about they earn and if somebody still wants to do back end deal that's not something that we at ZEE are willing to do.

Kunal Vora:

Can you provide some financial details of ZEE5's expected losses for this year, revenue contribution, paying customers etc. anything which you can provide on ZEE5?

Punit Goenka:

Be patient Kunal next year its coming.

Moderator:

The next question is from the line of Vikash Mantri from ICICI Securities.

Vikash Mantri:

The inventory increased effectively this year is Rs. 13 billion odd plus the 6.3 billion that we have given as advance is that the right way to look at it?



Punit Goenka: Yes, that's the right way to look at it. That's not an advance though that's actually a deposit, the second part.

Vikash Mantri: Punit I remember discussing in Q2, and it was mentioned categorically that this year the increase in inventory could be less than half. So, this change in inventory, which has gone up by close to this 13 bn+, when did this happen? Was it post the Q3 results?

Punit Goenka: This has happened during the last 6 months itself Vikash, and again please don't treat most of increase as same because they are two different and distinct items. One is buying rights and putting them into our inventory and the second is reserving future rights the content that is still to be either produced or come up for renewal.

Vikash Mantri: But Punit, even in the 38 billion amount, we will have inventories which are due to be delivered later, that was my understanding or those are delivered to us against the value?

Punit Goenka: Very small number in that Vikash, but most of it is delivered already and also keep in mind that entire 38 billion is not just films; it also includes content which is being produced for either ZEE5 or ZEE5 International. The second quarter call you are referring to was specifically to movies and not necessary for everything.

Vikash Mantri: On the other financial liability, as to what Rohit had said, so just understanding it. From 257 to 802 is a movement because of distributors paying us early. This is unheard of in the industry, what am I getting wrong?

Punit Goenka: Vikash, a large part of this is towards when the consumer buys our annual pack, for example, let's say one of the DTH companies, we have gone back to the distribution company and said 'once you have collected, you need to pay us as well. Why are we funding this entire operations for you', and a large part of that sits into that. Then of course there would be certain advertisers who want to pay us in advance because they wanted to pay us in advance which we have received as well.

Vikash Mantri: Ok, so I would find that all the distributors' balance sheets are stretched, and if the customer is paying them early, they will use it for their working capital advantage and none of their balance sheets suggest improvement in working capital. So they suddenly agreeing to this, so what pushed them to it? Was it you giving some discounts with the pricing or something like that which has convinced them to do this?



Punit Goenka: Obviously we have offered the same discount that they have offered to the consumer. So, one of the distributors offers - pay for 12 months and get 1 month free - so the same discount has been offered from us also to them.

Vikash Mantri: But all those contracts, only a part of those contracts for which the price had to hold, everything now else can be moved on to the new tariff order. So, under the new tariff orders long-term packages are as with respect to the new tariff order, so the quantum of the long-term packs would have significantly reduced?

Punit Goenka: Vikash why don't you take it off-line with Rohit and Bijal, very difficult to explain to you on the call right now.

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

Jay Doshi: We have seen some slowdown in consumption space across FMCG and auto space and you have been benefiting from viewership share gains over the past 2 or 3 years. So how do you see advertising momentum of ZEE or outperformance versus industry in FY20? Are there any levers that you see which will help the company grow much faster than the industry growth or should it converge with industry growth in the coming year?

Punit Goenka: No coming year definitely we will see us growing ahead of industry because there are still markets where we are growing. Even in the last quarter we have grown, and we do expect that we will continue to grow in some of the markets going forward as well. On the back of that we will certainly look at delivering growth higher than industry.

Jay Doshi: Can you give us some idea on investments in ZEE5 in FY20 what are your plans in terms of number of hours of programming?

Punit Goenka: We are clear that we will be producing minimum of 72 original series plus movies, that has already been factored into our plan. And my guidance for 30%+ margins, factors in all the losses that we intend to incur. We will be giving you far more granularity from Q1 itself on ZEE5. Please just be patient Jay for that, we will give you far more details.

Moderator: The next question is from the line of Sanjay Chawla from JM Financial.

Sanjay Chawla: Can you elaborate why international ad revenues were down QoQ and also YoY and what is the reason other sales and services revenues have gone up significantly in



both domestic and international segments? That is the first question. Second question is on we have seen a very slow increase in our OTT business in terms of MAUs and time spent has also been flat. What is exactly happening in that market if you can give some color and also what percentage of these users on the ZEE5 platform are active on a daily basis?

Bijal Shah: Starting with your question on other sales, we had two movies, one was Manikarnika and one movie in the Marathi language, so due to which it has gone up significantly. International distribution also had these movies and helped the international sales and revenue go up significantly. On the advertising side, you have seen a decline because last time we had told you that there was some specific event which has led to an increase in advertising revenue for the quarter. So those events were only for that quarter and since those events are not there, advertising revenue is missing this quarter and that's why you see a decline.

Punit Goenka: Coming to the ZEE5 business, I do not agree that the growth has been slowing down because keep in mind Q4 also has impact of exams etc. which we have not witnessed in ZEE5, this is first time we have seen Q4. Important will be to see what happens in Q2 after the IPL and World Cup etc. have passed. On the DAU side, we are not giving the numbers out yet but it's also growing significantly. I think Q1 onwards we will give you the DAUs as well going forward on ZEE5.

Sanjay Chawla: Can you indicate if DAU is growing faster than or slower than the MAU?

Punit Goenka: It is growing faster than the MAU, yes as a percentage.

Sanjay Chawla: One small question on the inventory, 3,850 crores of the inventory that you have reported. How much of that is on account of movies that have already been telecast prior to March'19?

Bijal Shah: A bit difficult to give you that number. I will try to work out that number off-line and you can reach out to me post the call.

Moderator: The next question is from the line of Adi Desai from York Capital.

Adi Desai: On these deposits to aggregators, just to clarify, so the 693 crores, is that separate from the 245 crores or is 245 a part of 693?

Punit Goenka: No, they are two separate items.



- Adi Desai:** What part of the balance sheet would that be a part of, the other financial assets or will they be a part of inventories?
- Punit Goenka:** 245 is in advances and 693 will be in deposits.
- Adi Desai:** As a part of the balance sheet, there will be a part of the other financials like loans or like cash and cash equivalents?
- Rohit Gupta:** If you see the balance sheet on the asset side, the strategic deposits are reflected in the other financial assets and the advance which Punit talked about it is and the other current assets, so that should explain.
- Moderator:** The next question is from the line of Alankar Garude from Macquarie.
- Alankar Garude:** Punit firstly can you update us on the status of repatriation of the overseas investments?
- Punit Goenka:** We have started to see some movement in that, very-very small though. But we are focusing that during the current financial year we want to repatriate all of them back.
- Alankar Garude:** And secondly, you mentioned about signing a binding agreement by July. Now once you must sign a binding agreement and announce the deal what are the approvals which would be required and how much time would it be needed for the promoters to repay the lenders?
- Punit Goenka:** If it's a financial investor there will be certain CPs that we need to fulfill which should not be too significant because it's a financial investment. In the event of a strategic investor, we will require CCI approval which I am given to understand from my legal team and the lawyers who are advising us that it's a 30 to 45-day process.
- Moderator:** Ladies and gentlemen that was the last question. On behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

**This number (Rs. 230 crore) was wrongly quoted on the call. The free cash flow generated during FY19 is ~Rs. (70) crores.*