



Extraordinary Together

Zee Entertainment Enterprises Limited

Investor Conference Call - July 31, 2019

Edited Transcript

Moderator: Ladies and gentlemen, good day. And welcome to the Zee Entertainment 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 phone. Please note that this conference is being recorded. I now hand conference over to Mr. Saurabh Garg of Zee Entertainment. Thank you and over to you, sir.

Saurabh Garg: Thank you, Vikram. Hello everyone, and welcome to the call. This call is to update our investors and analysts on the progress of Essel Group's plan to divest a part of its stake in Zee Entertainment. We have with us, Mr. Punit Goenka - Managing Director and CEO, and part of the promoter family to update you on the latest developments.

We will start with a brief statement from Mr. Goenka, which will be followed by a Q&A session. The duration of the call will be 45 minutes. I would like to request participants to restrict their question to the announcement made today. Before I pass it on to Mr. Goenka, I would like to remind everyone 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 context of the risks that we face. Thank you and over to you Mr. Goenka.

Punit Goenka: Thank you, Saurabh. Good evening, everybody. I would like to thank you all for joining us today at such a short notice. First of all, I would like to express the promoter family's gratitude to all the lenders and investors who have shown trust and faith in the promoter's vision and the values that it represents. They have shown tremendous patience and have been very supportive through the process of divestment of various Essel Group assets.

I am happy to announce that our largest and one of the oldest investors, Invesco-Oppenheimer, has agreed to make an additional investment in our company. The fund has agreed to buy up to 11% stake in ZEEL from its promoters, for a total consideration value of up to Rs. 4,224 crores. This development is a strong step in the



overall divestment process, giving the promoters the required financial flip to initiate the repayment process.

Along with Zee, Essel Group is also in the process of divesting its taking some of its non-media assets. Buyers for the solar power and road assets have been identified and the deals are in final stages of conclusion. Essel Group is confident that the sale of its non-media assets, along with sale of stake in Zee, will enable the group to complete the overall process of repayment well within the agreed timeline.

With this, I would now 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. We have our first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Congrats Punit on this development. My first question is, will any more stake sale be required in Zee in the near to medium-term? Why I am asking this is, post-tax you will get around Rs. 3,000 crores from this, which is much lower than the overall debt of group. I understand the non-media assets, but if you could elaborate on this.

Punit Goenka: So, Abneesh, as I stated in my opening statement that with the sale of the non-media assets, there may still require to be some sale of the ZEEL stake to completely settle the entire debt. But I'm happy to report that with this deal, at least the floor price of the Zee stock has been reset.

Abneesh Roy: And Punit, you mentioned up to 11%. So, what does that mean? And second, whatever left need to be sold in Zee, would that be Oppenheimer only or that could be some other partner?

Punit Goenka: So, when I mentioned up to 11% stake Abneesh, that means that we have to engage with the lenders now who will participate in giving the shares back to us for sale to Oppenheimer. And therefore, we have agreed with Oppenheimer that up to a maximum of 11% is what they will be buying. I am pretty confident that I will be able to get the entire 11% from the lenders, given the price that we've established. In terms of additional state, I think it will be marginal, it will not be significant. And the family should be left with a reasonable amount of stake in the company.

Abneesh Roy: And that was the second question, is there any conditions attached here on the management control, on the management team?



Punit Goenka: No, this is a pure equity transaction. They will just be a public shareholder of the company.

Abneesh Roy: Punit, my third and last question is essentially on the timelines and your confidence on meeting that. So, the September-end timelines, which means only two months left. Now we know currently the situation in the market. So, in that context, sale in non-media assets and overall timeline if you could elaborate, there's any change to the timeline? And are you confident of meeting the balance part of the debt repayment by the non-media and small stake sale in ZEEL?

Punit Goenka: Absolutely, Abneesh. I am very confident that we will complete the entire process within the timeline of the next two months.

Moderator: Thank you, sir. We have next question from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Just wanted to check, why did it not work out with the strategic investor? Was it valuation or was it control of the business which promoters wanted to retain?

Punit Goenka: No, Kunal, the biggest reason for it not working out is the timeline, which would not have enabled us to pay back to the lenders in the timelines agreed with them. The strategic partner would have taken a lot longer to conclude the deal with us.

Kunal Vora: But weren't you very close to getting a deal done, like say early this year, what went wrong?

Punit Goenka: Several things went wrong Kunal, starting from the Black Friday of 25th January, that derailed the process significantly. And then people wanted to wait and watch what happens in the general elections. And these two events have taken a lot of time away from us. But having said that, we still waited for the strategic partners offer to come in before we took this decision. And having looked at both the options, we took a conscious call that if we have to adhere to the timelines of the lenders, we will have to go down the financial route.

Kunal Vora: Sure. Just last question, what would be the pledge level for Zee Entertainment after the deal?

Punit Goenka: I will have to work it out and come back to you.



Moderator: Thank you. We have next question from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: I wanted to check what is the outstanding loan amount against the pledged share?

Punit Goenka: The total outstanding about against the pledged shares, Kapil, which includes all of our listed companies is approximately Rs. 11,000 crores.

Kapil Singh: Okay. And specific to Zee Entertainment?

Punit Goenka: They are all co-collateralized, Kapil, so it's all in the same bucket.

Kapil Singh: Okay. And second, I wanted to check, has there been any kind of due diligence done by Oppenheimer before this deal? And is there any holding period that they have till which they can't sell?

Punit Goenka: Kapil, they have done due diligence over last 17 years on this company. They've been shareholders for 17 years. In terms of hold-back, as I said earlier, it's a pure equity deal. There is no hold-back that we have put on them because that would imply them making a conditional deal.

Kapil Singh: Okay. No, I understand that. On the due diligence, I was asking if there are any additional details that they have sought or any kind of due diligence process they have run prior to this deal.

Punit Goenka: No, they have not.

Moderator: Thank you. We have next question from the land of Yogesh Kirve from B&K Securities. Please go ahead

Yogesh Kirve: Sir, the standstill agreement that we have with the lender, so that provides for settling all the dues by September or only the portion falling due by September?

Punit Goenka: All of it by September.

Yogesh Kirve: Okay. And secondly, this loan again shares of Rs 11,000 crores, so that compares to about Rs. 13,500 crores for what we had in January, February, right?

Punit Goenka: Correct.



- Yogesh Kirve:** Okay. And regarding this sale of infra assets, so are we confident that that could be concluded by the September deadline, or we are banking more of the Zee Entertainment shares to settle the dues?
- Punit Goenka:** As I said in my opening remarks that it is going to be possible within the timeline. But if there are any delays, then we will step it up with the Zee stake sale.
- Moderator:** Thank you. Your next question from the line of Jay Doshi from Kotak Securities. Please go ahead.
- Jay Doshi:** My question is, are you currently also engaged with any other investor for further stake sale? Because you mentioned that you looked at the two options and decided to proceed with this one because the other one would have taken time. And second is, you mentioned that this sets the floor price, so is there any understanding with Oppenheimer that you would not do further stake sale below Rs. 400 or there is no such agreement?
- Punit Goenka:** No, there's no such agreement, Jay. But I am pretty confident that once an investor like Invesco-Oppenheimer is buying 11% stake at a certain price, that validates the value. And therefore, anybody else who may look at Zee can't really question it. And that price should be very easily sailing through. Sorry, what was your first question, Jay?
- Jay Doshi:** Are you currently engaged with any investor?
- Punit Goenka:** Yes, we keep getting approached by multiple parties all the time.
- Jay Doshi:** Understood. And another question is, now with this 11% Oppenheimer would hold close to 18%, 19% in the company, right? So, are they interested in board seat, will there be any board seat for them or not required?
- Punit Goenka:** No, Jay, there is no board seats. Our agreement doesn't call for those rights. They are a pure equity public shareholder.
- Jay Doshi:** Right. And final one, just a bookkeeping one. What will be the taxation applicable for this stake sale in terms of...?
- Punit Goenka:** We will talk to the corporate team and come back to you, Jay.



Moderator: Thank you. We have next question from the line up Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: I had two, three questions. One is, totally appreciate the fact that you went to the financial guy versus strategic on timelines, but would it be possible for you to share whether the value that the strategy guy was trying to assign to the business, was it higher or lower than what Oppenheimer has assigned?

Punit Goenka: I am bound by confidentiality, Rohit, I can't share that detail.

Rohit Dokania: Okay, understood. The other thing that I wanted to check was, so you did allude to the Rs. 11,000 crores odd kind of LAS, out of which I think, I mean, post-tax probably you would be receiving just about Rs. 3,000 crores, Rs. 3,500 crores. So, will the equity value of the other assets that you spoke about which is road, solar, etc., will it be enough? Do you think that there could be a chunky sale of Zee Entertainment again to ensure that we pay by September?

Punit Goenka: Rohit, I think let's talk for a minute on this taxation. Whether the sale be to a strategic or financial, the tax plan is applicable for both. The tax leakage in this transaction will be very miniscule. So therefore, a large part, if not all of it, of the realization should come into the hands of the promoters. Having said that, with the sale of non-media assets, I don't expect a huge chunk of Zee stake to be sold further.

Rohit Dokania: Okay, understood. The other question was, Punit, can you talk about timelines as to when does this deal get sort of consummated? Because as you said, you will probably have to engage with the lenders to get the pledge shares and then sell. So, what could be the timeline for this?

Punit Goenka: I think it will be well within August, maybe a couple of weeks. But well within August we should be able to get it done.

Rohit Dokania: Fair enough. And last question from my side, in terms of priority, in terms of sort of returning the LAS that we have created, will the mutual funds get a priority, or will the banks get a priority, if you will be able to disclose that?

Punit Goenka: I can't comment, Rohit, until I don't engage with them, I don't have an answer.

Moderator: Thank you. We have next question from the line of Rajiv Sharma from SBICAP Securities. Please go ahead.



Rajiv Sharma: Just trying to understand that early this year when we were going ahead with this Zee stake sale, we were expecting a lot to come from at least 20% stake being sold to address the group debt issue. What has changed in terms of the realization from the non-media assets, which is giving you confidence of Zee's only 11% and maybe miniscule in addition?

Punit Goenka: Well, at that point in time we were engaging with several parties. Today, for the assets that I just talked about, we have signed deals, although not binding, but they have signed deals in place and due diligence is in advanced stages. That's what gives me the confidence that it will get done. And this announcement itself will release pressure on the promoters, which gives them little flexibility to negotiate harder.

Moderator: Thank you. We have our next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Just one clarification. Now, presuming the stake sale is at 11%, the promoter's stake right now is more like 35.6%. So, we will be well below 25% threshold after this transaction. And you did mention that, we may have to top it up in terms of additional Zee stake sales. So, in that scenario probably the promoter's holding can go down further. So, any thoughts there?

Punit Goenka: You are right, Ankur. And as I said, the priority for the family is to retire the entire loan against shares, and that will take precedence over whatever we will choose to do. I am confident that after this entire episode, the promoters will be left with enough shares in Zee for them to be motivated and excited to continue running the company with the vigor that they have been running it so far.

Ankur Periwal: Sure. Secondly, you did mention the current outstanding data at Rs. 11,000 odd crores. Can you break it up into mutual fund and the bank, because there have been multiple numbers floating around?

Punit Goenka: Multiple numbers are floating around Ankur, but I don't have it readily available with me. We'll check with corporate and come back to you.

Ankur Periwal: Okay. And lastly, you did mention parallel talks with the other investors, maybe international or the financial ones is still on. So, can there be a scenario wherein probably going ahead, given the strict timelines while we may not be able to complete



the strategic transaction now, but going ahead there is still a possibility of that thing happening?

Punit Goenka: Yes, as I said, now the dialogues are with financial partners.

Moderator: Thank you. We have next question from the line of Vivekanand Subraman from Ambit Capital. Please go ahead.

Vivekanand S: In November you had mentioned that you wanted the right global strategic partner and had offline two considerations, media and tech. How valid are those considerations today? And how will that impact your own thought process with respect to the business and further stake sale?

Punit Goenka: I think a lot has changed, Vivekanand, since we decided in September, October last year. And we had to put some other priorities upfront then just getting this strategic partner in. Those priorities from a business and industry perspective are still relevant. And we will see how to partner with them going forward. It doesn't have to be only equity based; it can be even strategic alliances that we can create with them.

Moderator: Thank you. We have next question from the line of Alankar Garude from Macquarie Capital. Please go ahead.

Alankar Garude: Just one question from my side. So, when you say that the process of repayment will be done by 30th September, are you referring to the entire Rs. 11,000 crores amount?

Punit Goenka: Yes, sir. I am.

Alankar Garude: And is there any other debt of the promoters other than Rs. 11,000 crores?

Punit Goenka: Other Operating Companies companies may be having debt, but the promoter debt is that's what it is.

Alankar Garude: Understood. So, basically everything is loan against shares?

Punit Goenka: Largely yes, correct.

Moderator: Thank you. We have next question from the line of Naval Seth from Emkay Global. Please go ahead.



Naval Seth: The question is on quantum of stake sale. So, in November it was 50% of your holding, so holding has now fallen, does that 50% still stay or it will change?

Punit Goenka: Naval, as I said, after the realization of the non-media assets is when we will know how much more we need to sell. Obviously, we want to maximize the non-media assets realization, so therefore we have to sell as little as possible of Zee, which is our crown jewel. But having said that, our priority is debt repayment, and I'm pretty confident that after all these payments the family will still be left with a significant shareholding which will keep us motivated to work every day.

Naval Seth: Okay. So, is my understanding correct, as you stated that the remaining stake sale can be announced as soon as August. Now, within August your stake sale in non-media assets will be earlier than what you will announce in case of Zee, as you stated that the stake sale will be dependent on that part as well?

Punit Goenka: No, August is completion of the current transaction that we are doing. I have up to 30th September to repay the balance loan, and that's the time period I am committing to.

Naval Seth: It was my bad to understand. So, that the logic again remains that your non-media asset transaction announcement will be before the additional stake sale, as you rightly said your remaining stake sale will depend on that transaction as well?

Punit Goenka: Yes, absolutely. As I just said, I already have offers on the table on those deals, which are under negotiation and we should be able to conclude those negotiations pretty quickly.

Naval Seth: Okay. And lastly, as you mentioned and obviously deal sets the floor price for the next round of investment in Zee, but do you think there can be some kind of push back from the financial investors? Because Oppenheimer's average cost will be substantially lower than what they have invested at right now. So, can that get some push back or no, this is the floor price for the next deal as well?

Punit Goenka: Just to be very clear, any other shares that the family will sell off Zee Entertainment will be at least above Rs. 400.

Moderator: Thank you. We have next question from the line of Himanshu Shah from Dolat Capital. Please go ahead.



- Himanshu Shah:** Sir, just want to check, anything in media assets besides Zee that the Group would be looking to sell off? There have been some speculations in the market. So, those assets are like we are considering as non-media or media?
- Punit Goenka:** Himanshu, we are in dialogue and exploring partnerships, etc. But I can't comment on speculative media reports as of now, so let's see how those developments come along.
- Himanshu Shah:** So, fair to assume that besides Zee other media assets also we are exploring, fair to assume, right?
- Punit Goenka:** Yes, correct.
- Himanshu Shah:** Okay. And any right of first refusal or anything with Oppenheimer for the balance stake sale, if required in ZEEL, by any chance or that's not a condition?
- Punit Goenka:** Nothing.
- Moderator:** Thank you. We have next question from the line of Sanjay Chawla from JM Financial. Please go ahead.
- Sanjay Chawla:** My first question is, Punit, you mentioned the tax leakage would be fairly miniscule, but can you share the profit sharing which would be done with the lenders for this standstill agreement that they undertook? That is the first question.
- Punit Goenka:** Sanjay, again, I will need my corporate team to come in and explain that. I don't have those details as of now. The Rs. 11,000 crores anyways includes everything, which is interest, upside or anything is all inclusive as on today.
- Sanjay Chawla:** Yes, obviously, accrued interest would be included there, so that is clear. But we are just trying to work out net consideration for the promoter from this transaction. So, would it be close to like, almost Rs. 40 billion, somewhere around that?
- Punit Goenka:** No, the upside sharing with lenders, actually we don't know how it will get calculated, because for that I will need my corporate team to come in and do that working for you.
- Sanjay Chawla:** Okay. Second question is, how much surplus equity is available with the promoter from the infra deals which have already been concluded, which you have signed? Or



have you already adjusted the surplus equity, again, to report this Rs. 110 billion number?

Punit Goenka: I can't share those numbers as of now as those are confidential. Once they become binding and public, I will share those.

Sanjay Chawla: So, would you say that as of now there are really no binding or consummated deals on infra side/non-media side?

Punit Goenka: As I said, Sanjay, we have non-binding offers which we are negotiating, and soon we will come back to you with details of the same.

Sanjay Chawla: Okay. And is Invesco-Oppenheimer free to buy more from the market, from tomorrow onwards or after this deal?

Punit Goenka: Of course, they are free to buy, how can I stop them.

Moderator: Thank you. We have next question from the line of Srijan Sinha from Future Generali Life Insurance. Please go ahead.

Srijan Sinha: Sir, just wanted to understand a couple of things. What is the overall promoter level debt, if you could tell me that?

Punit Goenka: Rs. 11,000 crores.

Srijan Sinha: You mentioned the loan against securities, and other than that how much would be the group liabilities?

Punit Goenka: Those are not promoter liabilities, those are sitting in operating companies.

Srijan Sinha: Okay. Any sense on how much would that be?

Punit Goenka: I don't have those numbers here with me. Can we restrict for today's conversation, please.

Srijan Sinha: Okay, sir. My second question is with respect to the non-media assets, primarily you would have solar road and transmission assets. So, I recently read the news that CDPQ has pulled out of the one of this. So, could you just guide us as to at what stage of negotiation are we in the process?



Punit Goenka: So, on the road, there is one of the leading investors, in infrastructure business, who is in conversation with us. Not at liberty to share the details as of now. As I said, we have non-binding offers from them, and very soon we will come out with the details of the same.

Srijan Sinha: And any particular reason why CDPQ backed out of the deal after going through the due diligence and everything?

Punit Goenka: All are under non-disclosure, Srijan. We can't disclose these details.

Moderator: Thank you. We have next question from the line of Ankit Ketia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir, in January we were looking at Rs. 20,000 crores for the infra assets of solar and road, and equity value of around Rs. 8,000-9000 crores. So, how has the debt moved in the infra assets, because equity value you are not willing to share, can you share the debt in the infra assets currently?

Bijal Shah: Yes, I mean, debt would have remained and there is no incremental asset which has been built or road which has been taken. So, debt would have remained more or less similar, plus whatever our accrued interest is there, that would have added.

Moderator: Thank you. We have next question from the line of Adarsh from Nomura. Please go ahead.

Adarsh P.: This question relates to the waterfall, you said like now the lenders will need to offer the shares. If all your lenders who have pledged shares agreed to give it to you, is there a pecking order, does capital market take precedence over banks in the pecking order, because given that they have funds where SMPs close at a certain date, so is there a pecking order there?

Punit Goenka: There is no pecking order, but we are going to get into discussions with the lenders, only then we will know what is good, what is going to be done. So, starting tomorrow, my corporate team will start engaging with the lender and come up with the solution.

Moderator: Thank you. Sir, we have next question from the line Nilam Punjabi from Perpetuity Ventures. Please go ahead.



Nilam Punjabi: I just wanted to get a clarity of the tax front. So, since the long-term capital gains tax was introduced in February 2018 budget, and the capital gains accrued till that time would have to be grandfathered, and the prevailing price at that time was much higher than the current price. So, LTCG won't apply to you, is my understanding correct?

Bijal Shah: I mean, you are on right track. What we can say, the liability on tax front would be very, very small.

Moderator: Thank you. We have the last question from the line of Prakhar Agarwal from Edelweiss. Please go ahead.

Prakhar Agarwal: All my questions have been answered. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for any closing comments. So, over to you.

Saurabh Garg: Thank you everyone for joining on the call today. Please reach out to us if you still have any questions unanswered. Investor Relations team is available to answer the question. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Zee Entertainment, that concludes this conference call. Thank you for joining with us. And you may now disconnect your lines.