Zee Entertainment Enterprises Ltd Conference Call

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Edited Transcript

ATTENDEES:

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Mr. Himanshu Mody – Head of Finance and Strategy, Essel Group

Mr. Bijal Shah – Head, Corporate Strategy and Investor Relations

Moderator: Ladies and Gentlemen, Good Day and Welcome to the conference call organized by 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 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, Aman. Hello, Everyone and Welcome to this Conference Call to discuss the announcement of Essel Group appointing a banker to identify strategic partners for ZEE Entertainment.

Joining us on the call today is Mr. Punit Goenka -- Managing Director and CEO of Zee Entertainment, along with Mr. Himanshu Mody - Head of Finance and Strategy, Essel Group.

We will start with a brief statement from Mr. Goenka and then we will open the floor for questions. We request all the participants to restrict their questions on this call to the agenda which we have set for this call.

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

Punit Goenka: Thank you, Bijal. I would like to welcome everybody to this call and appreciate you joining us for the discussion on the yesterday's announcement about ZEE's promoter, Essel Group, appointing bankers to identify a strategic partner and divesting up to 50% of its shareholding in the company.

I will start with a brief statement and then open the floors for question.

Our company has been doing exceptionally well in the broadcasting business with our viewership share having moved from 16% in 2016 to approximately 20% in the last quarter, strengthening our position as the number one entertainment network of India. Our recently launched OTT offering, ZEE5, has become the number #2 platform in India within 6 months of launch. Our business is on a very strong footing. Given our global ambitions and the rapidly converging worlds of content and technology, which is evident from the recent coming together of companies like AT&T & Time Warner, Comcast & NBC, Disney & Fox, we have decided that getting a strategic partner with a strong technological expertise and global reach will help us achieve our ambitions faster and we can scale new heights.

The move will also transform ZEE from a content company to a content-technology company, armed to thrive in the new digital world. We believe this is in the best long-term interest of the minority shareholders as well because the strategic partner will augment ZEE's content, technological and distribution capabilities. In this entire exercise, minority shareholder's interest will be of paramount importance and their interests will be fully protected.

ZEE has exhibited exceptional performance under the current management over the years. We have built strong leadership teams in each of our businesses and verticals. This has helped ZEE consistently deliver market-leading growth, both on revenue and profitability, over the last several years. The promoters have been actively involved in shaping and building the business as well as building the strong leadership strength. The promoters will remain the substantial shareholder even after the proposed share sale and will continue to contribute in every possible way to take the company to new heights. The finer details of the arrangement will be worked out with the potential strategic partner in a mutually beneficial manner.

ZEE is the undisputed leader in Indian entertainment industry and the promoters continue to be committed to ZEE's global ambitions. With the current strong position that we have, we believe that we are well placed to take our organization to the next level. We believe that in the converged world of content and technology, a strategic partner who brings global expertise in technology/media tech, will help us achieve our global ambitions. This move is not about selling ZEE shares but is about giving shape to our global ambitions.

Now, I will open the floor for Question-and-Answers.

Moderator: Thank you very much. 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, if you sell half of the stake of the promoter, the promoter stake will fall to around 20-21%. Is not that quite low? And similarly, for the strategic partner having just 20-21% stake, is that enough, will you find enough interested parties for that?

Punit Goenka: Abneesh, I think, the word that I emphasize is up to 50% of the promoter shareholding. It is by no virtue that we have committed that 50% will be sold. Having said that, a strategic partner has the option of coming in at the parent level as well as at the step-down subsidiary level if they choose to but this is what we are exploring as of now.

Abneesh Roy: And the step-down subsidiary will be largely ZEE5 only, right?

Punit Goenka: I would assume that any technology partner would look for that as the prime objective.

Abneesh Roy: Right. And the second question, Punit is at the group level, pledging is high, 60% - 80% plus. So one, investors have this concern, how serious is the cash flow for the group? So, will we be constrained in terms of time and the valuations also because of this or is the cash flow reasonably okay for the group, so you can have enough time to do this transaction?

Punit Goenka: Abneesh, the process of bringing the pledge levels down for the promoters had started 6 months back which we had said to you during the last quarter call as well. The promoters are exiting some of the infra businesses which have reached maturity levels like our transmission business, our solar business, and our roads business. That process was started 6 months back and that should pretty much take care of the pledge issues of the promoters. This in no way is a way of deleveraging the promoters pledge issues, this transaction or this development.

Abneesh Roy: And lastly, Punit, in terms of the tie-up, are you looking more at the technological bit or more in terms of the geographical reach increase. So, is it largely for ZEE5 this tie-up will be meaningful or even for the broadcasting TV channels it will be meaningful?

Punit Goenka: I think, it is a combination of both Abneesh, because as you know we have been making content in 12 non-Indian languages now globally and that access that we would seek to get from the strategic partner is of paramount importance to us. Of course, ZEE5 is at the helm of this as well. So, both the things are critical to us. The details will depend on the discussions with the potential partners to see who front runner for this transaction is.

Abneesh Roy: So, one follow-up here. So a financial partner or an India partner then look slightly lower in terms of pecking order, right?

Punit Goenka: Difficult to comment for me Abneesh at this stage. Financial partner definitely is a low probability because we are looking for a strategic partner who brings more than just capital.

Abneesh Roy: And the Indian one?

Punit Goenka: As I said, difficult for me to comment on that part.

Moderator: Thank you. The next question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have a couple of questions. The first question Punit is on the timing which is why make an announcement right now versus wait for a scenario where let us say you guys are in a due diligence process with a particular strategic partner and then make an announcement?

Punit Goenka: So Sachin, we have been getting proposals from several interested parties over the last few months and because we wanted to cut any speculations out beforehand itself. That is the reason we have chosen to go out and transparently talk to the shareholders. Also, you know the fact that there are a lot of rumors happening on the pledge levels as Abneesh just talked about. So, this is a proactive means for us to stopping its speculation towards this.

Sachin Salgaonkar: Okay. So does that mean that you guys already have a couple of guys already where you guys are talking with?

Punit Goenka: Yes, we have some serious interest over the last few months from several players, or few players, at least.

Sachin Salgaonkar: Okay, got it. And the second question is in terms of our strategic investor. Now, basically trying to classify into 3 buckets and I heard what you told, Abneesh. One is the internet companies from U.S. which could give you the technology expertise. Second is the Chinese internet companies which also bring up their own expertise. And third is more like on the lines of a media conglomerate, which has again experience from developed markets. I mean, if you had a choice what would be your pecking order per se from this perspective?

Punit Goenka: I would not put a pecking order as of now Sachin, because all 3 bring some different aspects to the deals or to the transaction. I think we will be openly considering all of them going forward and see who comes up with the best proposition for us in the strategic alliance.

Sachin Salgaonkar: Okay. And then the last question is from a potential strategic prior perspective, I mean at half of or up to 50% of the promoter shareholding, perhaps strategic partner would have a relatively lower stake. So are you open to a scenario if the partner is really good that you guys could be lower than 50% than a potential strategic partner could get the control of the company?

Punit Goenka: Sachin, that depends on structuring of the deal, right. I do not think we are at that stage right now. We are saying that promoters are committed to the business and hence, are willing to part with 50% of their shareholding. But if the structure demands where the strategic partner wants more stakes in the company through a subsidiary or directly, we are open to those discussions.

Sachin Salgaonkar: Yes. So I was looking referring more to a Disney-Fox kind of a structure what we saw. So are you guys generally okay with that kind of a structure?

Punit Goenka: I do not think we are at this point we are looking at exiting this business. Our commitment still stands. But having said that, if it is a cheque I cannot refuse, so be it.

Sachin Salgaonkar: Got it. And sir, the last question, is March/April of 2019 is the hard deadline what you guys are looking at or it has some flexibility?

Punit Goenka: This is something that our bankers are confident of getting us a binding offer on. Obviously, these are all subject to regulatory to approvals based on what kind of strategic partner is coming in. So those things are something that may take a little bit longer. But for a binding deal, our bankers are confident that this timeline can be met.

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

Vivekanand Subbaraman: 2 questions from my end. One, what kind of global support are you looking for? You mentioned that you want to transition into a global media tech play, can you elaborate on the kind of support that you are looking for? Secondly, based on the serious interest that you have from the players that you were conversing with. What are their thoughts on considerations for them to acquire or choose partners in India? Thanks.

Punit Goenka: So I will take the second first, Vivekanand. I think from their perspective ZEE is a very uniquely positioned business that gives access to the Indian market for them. I do not think there is another asset like ZEE available out there which can be had on a platter. I think to build it from ground, anybody will take at least a decade if not more. And multiple billions of dollars to access this market, to even attempt to reach the position ZEE is at today. Having said that, from our perspective, it is not just technology that we are looking for. Definitely, if somebody who can catapult us to take our product, in terms of technology and geographical reach beyond the South Asian diaspora, we would be looking for from our perspective.

Vivekanand Subbaraman: Right. And in your view, how important it is to get support in the form of technology and distribution versus say capital from a strong player, is that even a consideration or that is not at all required?

Punit Goenka: Technology is definitely far more critical to us than just capital. I think, that is where we will be leaning more.

Moderator: Thank you. We have the next question is from the line of Adi Desai from York Capital. Please go ahead.

Adi Desai: I wanted to get just on the last question. As you said, whether it is like distribution that is like kind of really the bigger part of our consideration over here or whether its effectively to develop the kind of like sort of something that is more into I guess content going forward that is really our bigger consideration. And I guess, the second question from a strategic point of view, the promoters obviously would like to sell less but on the other side, the buyers would want to have a larger interest in the company as well. So how do we kind of look at those kinds of conflicting desires over here. To make like, I do not assume that there is a bid-ask for the pricing, it's more of a bid-ask for how much equity stake will you take in the company? So how do we sort of solve for that issue effectively? And, yes, those are the 2 questions for me.

Punit Goenka: So the first one that is really from our perspective, we are looking at going to the global diaspora with our content. That is our critical ambition. We have been making content in the non-South Asian languages in 12 different countries and we believe the strategic partner can catapult us to take that to a much larger base from our perspective. On the second part, I would request Himanshu, to step in and answer that, please.

Himanshu Mody: So, on the second question, you are right, there will be a bid-ask not only on the quantum of stake, but there will certainly be a bid-ask on pricing as well because it is for what kind of stake and what quantum, what rights of what kind and what kind of premium? So there will be a bid-ask on both the aspects which will determine the deal.

Adi Desai: Yes, got it. So I guess, so just a follow-up on that. How do you see as the promoters, as you said maximum 50% or the promoters ideally would want to sell less over here obviously to take of other considerations I guess, the question is whether it is the bringing the right strategic partner over here or it is basically trying to sell enough as I think Abneesh, kind of mention to take care of liabilities elsewhere in the group and what is really driving this transaction?

Punit Goenka: No, it is clearly from the strategic partner aspect that we will be considering this. The second is just a byproduct of it.

Moderator: Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: I would have a rather lengthy question, sorry for that. If I go through the Press Release, we talk about looking at the semiconductor business but ruling out of because of the large capital requirement as a group. Then we also talk about a proposed to basically address the Essel Group's capital allocation priorities as a reason for this as well per se. The question here is that what has changed so materially, both internally and externally for the company, that we need to end up selling this portion of the business? The reason why I cannot appreciate the strategic partner tie-up is because this group has established 4 industries in the country, be it broadcasting, be it cable, be it DTH, be it packaging, and they have gone globally with broadcasting. So is the disruption in the environment so difficult and unanticipated, to be so difficult that we can only maneuver it through a strategic partner.

Punit Goenka: So I will take the second part first, Vikash. I think, the biggest part is that the entire investor community has been asking how will you compete in this new digital world with the media or the tech giants going forward? And we do believe, if we need to achieve our ambition faster, we need to partner with them. We can continue to do it on our own and be a smaller player fighting for the South Asian pie or fighting some other smaller market pies, but definitely, we will not be able to be a global content or a tech company in the near-term if we are at it alone. I think, the other industries you mentioned, some are restricted to geographies like India. Packaging, for example, was not restrictive, it could travel. There are heavy regulations for broadcasting, there are heavy regulations for DTH and cable companies in the rest of the world. For us to go and actually be a content company in the U. S. where the laws are so stringent, unlike our country which welcomes foreigners with open arms, I believe that getting a strategic partner will definitely help us achieve that goal. And I am sure you will appreciate that in the near future, Vikash. On the capital part, Himanshu, you want to quickly take that?

Himanshu Mody: So yes, those are Vikas. There are certain other businesses, like for example, the semiconductor business, which we have mentioned in the Press Release, which the group has identified as probably a fifth, like you said, four new industries and this is the fifth one that the group is looking at starting soon in addition to other businesses as well, for which there is a high CAPEX requirement. The group needs to allocate its capital and this along with the infra sale has been identified as the source to be able to do so.

Vikash Mantri: So sir, I do agree there are a lot of queries and questions on the kind of liquidity of the group. So just a feedback that it would help a lot if we could put that in the public domain, so that all questions related to what is the debt, how much is the pledges supporting the debt, what is the margin that we have against the pledges? If all that data could be put in public, I think that could solve or end all the rumors per se and everybody could then make informed opinions about it. So that is just a feedback I wanted to give.

Punit Goenka: Thank you, Vikash. We will take that up and discuss internally.

Moderator: Thank you. The next question is from the line of Ali Asgar from Motilal Oswal. Please go ahead.

Ali Asgar: My question was on the deal structure. So one, you mentioned that this deal is not primarily to address the pledge factor? And second, also, you mentioned that whether it is up to 50% of promoter stake sale will be decided with time. So, in that context you know my question was why is this partnering, not happening at the company level but more so and the promoter level? I mean a tie-up with a media tech company could also be through a fundraise in the company, right, which would not only give funds to the company but also a sizeable stake and technology partner or probably an acquisition. Why is the deal structure at the promoter level?

Punit Goenka: So Ali, firstly, the company does not require capital for its immediate plans. Therefore, we are protecting the minority shareholders interest while we are bringing it at the promoter level. Having said that, it brings in the future potential of the strategic partner to co-invest with promoters to further accelerate the growth of the company, as I have been talking about our global ambitions, and that is the reason for this structuring the way it is happening. I can add here very-very confidently that it is the promoters' confidence that we are able to expand the business much faster with a strategic partner and therefore, we are willing to part with our own stake for this reason, for ZEE's betterment.

Ali Asgar: I presume, the point you make here basically is to invest more or aggressively in probably the digital segment. So that in self would imply that you may probably have to either invest in your content or technology, which may happen probably sooner or later, if we expedite that investment process we may require capital, or will that not be the requirement at all?

Punit Goenka: Ali, as I said earlier also, we are open to any kind of structuring whether it be only at the promoter level or even at subsidiary levels for further building capital for growth of the digital business, etc. So, I do not think this is the only transaction structure that we have announced. I think, it is something that we, as promoters, are willing to do, and we are open to considering any other structure that the partner would want us to consider.

Ali Asgar: Fair enough. So this is not just restricted to the promoter level stake sale, right, it could also be towards company stakes, right?

Punit Goenka: Company, company's subsidiary, it can be either one.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Sir, would the promoters of the company be open to a possibility that they would not be the single largest shareholder going forward after the strategic investor comes in?

Punit Goenka: As of now that is not a possibility that we are envisaging.

Yogesh Kirve: Okay, thank you. Secondly, so I understand the promoters would be also considering new business to invest in. So, in such a possibility, could there be a possibility that management bandwidth could get stretched and perhaps focus could shift to newer businesses or the present management structure will continue?

Punit Goenka: No, there is no plan to shift the management structure or change the management structure as of now. I think, the focus of the current management will remain on the current business and we will recruit the professionals, as and when required, for newer businesses where the family needs to expand.

Yogesh Kirve: And sir finally, I mean if you probably touched upon on this earlier. So I was just looking at what kind of gaps could strategic investor help us fill, because our new digital initiative is shaping up well and we have already invested significantly in the technology part as well. So could you help us understand more on this?

Punit Goenka: So two things, one is the technology ramp-up can be much faster with the strategic partner. Second, we have done enough investments and we can very successfully compete in the South Asian diaspora with our ZEE5 platform. But we expect the strategic partner to give us access to far bigger geographies where our content can seamlessly travel even beyond the South Asian audiences.

Moderator: Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: I have one question, a slightly longish one. So just bear with me, please. Punit, if we just ignore issues like the deleveraging requirement at the group level and ignore the valuations that promoter may realize or Essel Group’s comfort level with any new partner, ignoring all that. But if we purely were to look at the industry logic and things like what is the most complementary and most valuable for the business, what would be an ideal profile of the strategic partner according to you? And you know we could look at a set of broadcasters, Silicon Valley or Chinese tech giant, global OTTs like Netflix, domestic telecom company or a global PayTV operator, from all these many and maybe you can add more. What is the profile of an ideal partner according to you from a business point of view?

Punit Goenka: I think, as I said Sanjay that anybody who gives me an advantage in technology and in geography coverage beyond South Asians will be the most critical deciding factor for me as the management of the company.

Sanjay Chawla: How critical is this technology aspect because you know Netflix may have come out of Silicon Valley, but ultimately, it is content where they are getting it and you are already there. So it seems that content is a bigger issue than technology and content you are obviously doing quite well with the fanatic strategy for ZEE5. So, I am trying to understand, is the technology such a huge gap that you need a global partnership? Geography I understand, you said it rightly but from a technology point of view that is that missing piece that you think will come into picture?

Punit Goenka: If you consider that the technology will remain restricted to only video service going forward 5 years from now that will be very short sighted for all of us. I think, there is going to be a lot of conversations that happen even beyond video where other senses of human beings are going to converge, audio-visual will not be the only sense that remains. If you look at our own patent that we filed in the U.S. and got the approval for is towards convergence of multiple sense that will happen going forward. So, it is those things which are attracting the technology companies to reach out to us, that we as a company for the emerging markets are able to establish such kind of patterns. What you are talking about Sanjay is that we will achieve all of the things for the South Asian diaspora. I need to go beyond the South Asian diaspora and be a truly global media company for the future. I do not wish to remain just a South Asian player anymore.

Sanjay Chawla: So, would it potentially involve things like things like you producing English language content for the U. S. market, U. S. audiences, could it involve things like that also?

Punit Goenka: Why not. Why can't we produce that quality of content from India for those markets? I mean if we can produce that quality of content for the Middle East, for the South African market, for the Russian markets, why cannot we do the same for the European or the U. S. market, create content for that market from India.

Sanjay Chawla: Just a follow-up on this. Obviously, in India we are still seeing an evolution of OTT primarily online video, the technology stuff that you talked about from a time frame point of view, how critical it is to get in early there because right now the opportunities are just expanding in India itself, exploding and with regard to what ZEE5 is seeing right now.

Punit Goenka: Yes, I do not think, this announcement has any bearing on our operations coming to a standstill. Our business will continue to roll as it is. This is something that is happening outside of the management teams at the promoter level and business will go on as usual for us. The reason why we want to look at this is because the technologies are converging so fast that we do not want to miss the bus and that could happen over the next 3 to 5 years itself, which is a very short-term outlook from this industry perspective.

Moderator: Thank you. The next question is from the line of Sangam Iyer from Concellium. Please go ahead.

Sangam Iyer: Sir, I just want to check with you on the capital allocation part once the fund is raised. In terms of your entities or other businesses, like distribution, DTH, as well as your cable, what it he kind of incremental allocation that we could see in terms of the group level focus towards those entity, given that now you have analyzed that you need a strategic partner on the technical side for the group for ZEE, what about the other businesses, is the any through process on that vis-à-vis the capital allocation but that is one important factor that you have mentioned in the Press Release?

Punit Goenka: See, there are very-very ambitious plans that the group has even in the other media segments of the group's asset. So, I do not think we can get into those details on this call, but happy to take those offline with you on the other businesses. I think let us restrict this call to the ZEE shareholders' interest.

Sangam Iyer: Okay. So, sir, as you mentioned that 31st March, 2019 would be the timeline that you would want to adhere to with fundraising part of it. So would there be a detailed capital allocation plan as well along with that or that might come through in the last quarter or what should one expect from the group on that part?

Punit Goenka: I think, that is a family matter, Sangam. And I do not know how much visibility that needs to come in the capital markets.

Sangam Iyer: Okay. I just thought it would provide more visibility on the various businesses in terms of given the competitive scenario that is emerging for those businesses to understand.

Punit Goenka: As I said, let us take that offline, please.

Sangam Iyer: Okay, no issues.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Just 2 questions. Firstly, congratulations on the fact that you are ready to let go for the greater good of the company. Moving on, just 2 questions from my side. Punit, in the past you have very well-articulated the fact that you want to ensure that digital events, music, movies, and all these things are more than one-third of your overall revenue for ZEE from a medium-term perspective. You have never been so vocal about the fact that international would take such centerpiece that you would want to be open to going ahead and selling the stake. So just want to understand, what really has changed over the past few months which makes you believe that there is such large opportunity, as well as the global ambition, are already concerned?

Punit Goenka: I think, Rohit, I would always say but my voice got drowned out always by the domestic business and the digital business. I think our international ambition was always vocalized through our investments in the non-Indian languages. I think the market always wanted to hear that this will be incremental investments and not significant investments. But today, I believe the fact that if we need to really move towards being a truly global player from the emerging markets, this is the right step for the company.

Rohit Dokania: Okay, thanks for that. Just one question, across your Press Release you talk of this exercise as a strategic review I was just wondering is there a probability that you know once this strategic review is sort of done with that might lead to a no-stake sale situation as well?

Punit Goenka: No, I do not think that is the intent here. There is definitely a solid intent for us to bring in the strategic investor. These decisions are not taken lightly Rohit. We have spent a lot of time as a family to come to this conculsion and this will be really dealt with seriously.

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

Naval Seth: Sir, the first question on global expansion, so as you have started expanding your ZEE5 globally and there was a target over the next few months it will be spread out across the globe. So, did you find challenges expanding it globally and hence, this decision came to get the strategic partner, so that it is a smooth ride or a better way to expand or there was no challenge expanding right now on ZEE5 globally?

Punit Goenka: So Naval, I think, if we were to stick to the South Asian plans there is no challenge for us to expand into the international markets and that can be done with the help of our existing team in the international itself. But if we have to take this and take it to a much bigger level, beyond the South Asian diaspora, we will need help and we will need the expertise of the strategic partner there.

Naval Seth: Here you mentioned that there is no need of funding in the company at the current juncture for even accelerated growth in medium-term, nor is this transaction focused towards deleveraging the promoter balance sheet. So then why up to 50% and why not up to say 10% or 20% because down the line, say 3 years - 4 years - 5 years, if at all or say 2 years if growth has to be accelerated and investment are beyond our expectation then we get in the additional investment. If hypothetically we sell 50% then our share will fall below 20% again. So why not to restrict it to a very minimal 5-10% stake right now and getting to that level over there.

Punit Goenka: Naval, any strategic partner coming on board would want an equal footing with us or at least the option of an equal footing with us for them to even consider it to be strategic investment from their side. And we have said, it is an up to 50% depending on what the strategic partner would like. If the strategic partner is happy with 10%, we will be happy with 10% itself. So, there is no commitment that we are going to sell all of the 50% of our holding. Having said that, I mean it is unfortunate that the Indian landscape looks at it in that respect. I know a lot of promoters across the world that control companies with less than 2% economic interest in the businesses. Having said that, we are not looking at diluting and selling majority of our business, but I am just pointing that out to you.

Naval Seth: So, let us assume hypothetically a strategic partner agrees to buy up to say maximum 50% and as you said that strategic partner might want to be an equal partner as to the percentage economic and trust to the promotors. So down the line, whatever that timeframe be, whenever there is a funding requirement for accelerated growth, is the promoter open to the thought that I will still maintain my equal stake as compared to the strategic partner and I will also, you know, plough in incremental investment in the company? Is that also the thought or are we willing to dilute further going forward?

Punit Goenka: No, those decisions will be taken at that time as and when these requirements will come up. There is no reason to doubt the promoters will not want to step-up in equal participation with the strategic investor. Therefore, we believe that we want to remain an equal partner with the strategic partner going forward.

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

Kunal Vora: Sir, the question is that ZEE has been managing margins well while making new investments. As you get in a new partner and invest more in technology and content, would the margin focus continue? And many of the technology which you are talking about will not really contribute to profitability anytime soon. So wanted to get your sense on how you are looking at this?

Punit Goenka: No, we definitely want to up our investment levels, especially on the digital front and potentially even prepone those investments. Having said that, those are things that will be discussed once we have a strategic partner. At this time, we will continue our current way of working as we have guided to you and I have said before also that when we want to make higher investments and probably reduce margins, we will come back to the street and give our guidance. Our reason for this whole consideration also stems from the fact that the people who are approaching us are showing us ways to expand into those markets much faster and in a far more aggressive manner which has made us think quite differently from our current plans the way we think about them.

Kunal Vora: Sure, so you are implying that, like currently, you are being a bit guarded about investment and the 30% might not be sacrosanct when we look at the medium-term. Is that what is the implication right?

Punit Goenka: No, I do not use the word guarded. I am saying from where we are looking at the business, we think the investment required is sufficient. But there are ways to achieve our objectives, of let us say 3-5 years target sooner by increasing investments, etc. which will be discussed with you all at the right time.

Kunal Vora: Sure. But many of the initiatives which you are talking about are not really something which can contribute to profitability. They can add to the cost but it cannot contribute to revenue. So would these be margins dilutive in the medium-term?

Punit Goenka: No, in the medium-term we are not looking at any action that will be margin dilutive. I think, we are looking at businesses that will add to the top-line, cost line may not be too much. On the overall EBITDA margin, we have enough financial leverage in our existing linear business to be able to fund all of these expansions.

Moderator: Thank you. We have the next question is from the line of Amman Fenster from Newport Asia. Please go ahead.

Amman Fenster: You know the one thing I am a little confused by is how far you are in the process. So, I know what you said in the Press Release, a timeline that you want to complete by March - April next year. But it also sounds like you had some, at least a lot of initial discussions with potential partners over the last few months. So is that the case, I mean, internally can you give a sense of what you think a timeline could be like approvals and other things aside of just in theory reaching the deal? And second, maybe how far you are with potential partners in those discussions? Are they just initial proposals or they are more than that just help us understand that?

Punit Goenka: Well, we have had proposals from at least one prospective partner and that is when we thought that it is time for us to actively engage with the community at large to consider this. Having put the timeline in our Press Release, I am pretty confident, along with my bankers, that it is a doable timeline. And as Himanshu had said that it will be a bid out process that will happen fairly shortly.

Amman Fenster: Okay, thanks for that. And I guess the second is clarifying, I am kind of paraphrasing what you are saying, it sounds like the domestic business and whatever your aspirations were, to begin with, what you communicated are all, kind of, you are keeping all those targets and you can achieve all those targets yourself. But as you think about the business longer-term, you think doing a strategic partnership sooner rather than later helps us accelerate the opportunity and kind of secure the next 10 years and maybe go beyond what you are initially thinking, is that the idea?

Punit Goenka: Absolutely, bang on.

Moderator: Thank you. We have the next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: One of the questions that I have, couple of strategic investments that we have seen in India in the content production space, what we observe is post strategic sort of investment, the OTT platform of that content producer takes a back seat and it eventually becomes the content product producing entity supplying content to the larger player. Now you have articulated that the key reason for this scouting a strategic partner is for access outside South Asia, for capital and tech expertise. Just want to know whether ZEE5 will always be the primary platform for domestic OTT play? And if there is a strategic investor who has his own platform which is already sort of existing in India then how do you tackle that? Or will that be then a deal breaker and non-negotiable? I essentially want to understand what would be the role of ZEE in the partnership in Indian OTT play? Would you be the distribution cum B2C player well?

Punit Goenka: So Jai, I think, for any strategic partner, who would want to get rid of the brand ZEE, I would think would be quite foolish. Having built this brand in this country so aggressively and at the helm of the entertainment conglomerate from the consumers perspective, from the distribution perspective, etc., so I would not comment on whether it is a dealer breaker, etc. I do not think that we are at the stage right now, but definitely, I would think we would want to retain the ZEE brand in India and that will be more beneficial to the strategic partner also if I was in their shoes. Does that kind of answer what you were asking me?

Jai Doshi: So ZEE brand, I can understand but the platform ZEE5, will that be the primary platform and the only platform for all the ZEE content or?

Punit Goenka: Well, I would definitely like it to be that way going forward.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. On behalf of Zee Entertainment Enterprises Limited, that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.