



Extraordinary Together

November 17, 2022

The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code Equity: 505537

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: ZEEL EQ

Dear Sirs,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Conference Call with Investors

This has reference to our intimation dated November 11, 2022, informing that the audio recording of the Conference Call with Investors, to discuss the Company's performance for the Quarter ended September 30, 2022, is uploaded on the website of the Company.

Please find enclosed the transcript of the above conference call held on November 11, 2022.

The said transcript has also been uploaded on the Company's website www.zee.com.

The above is for your information and record.

Thanking you,

Yours faithfully,
For Zee Entertainment Enterprises Limited

Ashish Agarwal
Company Secretary
FCS6669

Encl: As above

Zee Entertainment Enterprises Limited

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Zee Entertainment Enterprises Limited

Q2 FY23 Earnings Conference Call

November 11, 2022

Transcript

MANAGEMENT:

Mr. Punit Goenka – Managing Director and CEO

Mr. Rohit Gupta – Chief Financial Officer

Mr. Mahesh Pratap Singh – Head Investor Relations

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY23 Earnings Conference Call of Zee Entertainment Enterprises Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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. Mahesh Pratap Singh – Head of Investor Relations. Thank you and over to you, Sir!

Mahesh Pratap Singh: Thank you, Tanvi. Hello, everyone and welcome to our Q2 FY23 Earnings discussion.

We have with us today our Managing Director and CEO Mr. Punit Goenka along with the senior management team.

We will start with opening remarks from Mr. Goenka followed by commentary on operating and financial performance by Mr. Rohit Gupta, our Chief Financial Officer. We will subsequently take some of your questions during the Q&A session.

Before we get started, I would like to remind everyone that some of the statements made or discussed on today’s call will be forward-looking in nature and must be viewed in conjunction with risks and uncertainties we face. The company does not undertake to update any of these forward-looking statements publicly.

With that I will now hand the call over to Mr. Goenka for his opening remarks.

Punit Goenka: Thank you Mahesh. Good evening, everyone. I hope all of you are keeping well. Thank you for taking the time out this evening to interact with me and my team members on the performance in the second quarter of the financial year 2022-23.

As you would have noted the underlying impact of the macroeconomic headwind across the industry continued to spill over in the second quarter of the fiscal. That said, we have been able to moderately grow our advertising revenues sequentially in the second quarter on the back of our network share gain and focused efforts from our Ad sales team. We remain hopeful of a steady recovery in the advertising environment during the second half of the fiscal given some of the green shoots due to a good monsoon and the onset of the festive season. We are utilizing this period to further strengthen the resilience and fundamentals of our business across all aspects. Our focused efforts and investments in content and user experience enhancements are displaying positive results.

I would also like to quickly apprise you on the progress of the proposed merger with Sony now called Culver Max Entertainment Private Limited. We have recently received an approval from the Competition Commission of India in communication dated 4th October 2022 and its subsequent order. The Company also conducted a meeting of its equity shareholders on 14th October 2022 to seek approval on the composite scheme of arrangements in line with the order of the National Company Law Tribunal. We have received an overwhelming support for the proposed merger



with 99.99% of the equity shareholders who participated in the process, voting in favor of the scheme. We are steadily moving forward with other legal and regulatory approvals required for completion of the merger as per law.

Coming back to the company's performance during the second quarter; in addition to strengthening our current offerings, we are also consistently identifying newer growth opportunities for sustained value creation. We took yet another firm step in this direction by sharpening our strategic vision to build the sports business for the company. The strategic Licensing agreement into Disney Star makes Zee the exclusive TV destination for all ICC events starting 2024. Going forward all our investment decisions to make the sport segment a compelling value proposition for the company will continue to be taken with a prudent approach. Our energies remain focused on enhancing the performance across platforms through compelling content offerings and delivering a robust user experience. For instance, our linear viewership share has increased QoQ and our key markets like Hindi and Tamil are showcasing an improvement in their performance.

On the digital front ZEE5 continues to pose healthy growth across all usage and engagement metrics, reflecting the successes of our focused investment towards enhancing the proposition of the platform. Going forward we remain cautiously optimistic about the overall advertising sentiment gradually recovering through the second half of the fiscal which will further aid revenue growth. On that note I will hand over the session to our CFO – Rohit Gupta, to take you through the finer details. I look forward to interacting with you during the Q&A. Thank you, over to you Rohit.

Rohit Gupta:

Thank you Punit. Welcome everyone. I hope you had the opportunity to review our Q2 FY23 results which have been uploaded on ours as well as website of stock exchanges. I'll focus my remarks on providing more context to our Q2 FY23 financial performance and our outlook for H2.

Given the weak macroeconomic environment and its implications on our operating context, we are pleased with our Q2 FY23 performance which showed sequential improvement from previous quarter and underscores our team's ability to adapt and execute through challenging times. It is also important to note that we have continued to make room for investments in strategic areas through this phase and are confident of emerging as a much stronger business with marked improvement in underlying health and competitive advantage in our key businesses.

Let me briefly talk about these lead indicators fueling our enthusiasm with respect to our business trajectory. Firstly, on linear business, we have gained 30 bps network viewership share in Q2 FY23 and continue to be India's strong #2 TV entertainment network. In our assessment our QoQ viewership gain during Q2 FY23 is ahead of every other TV network in the country, reflecting results of our focused effort to gain network share. Specifically talking about three key channels which were going through a lean patch, in Zee TV we have now seen consistent performance in viewership share over the last few quarters. Zee Tamil has turned the corner in Q2 FY23 with share gain and we expect to maintain that momentum while Zee Marathi



is still in the process of rebuilding with series of launches and interventions planned throughout FY23 in order to stabilize and regain our network share.

On the digital side; ZEE5 is continuing to gain healthy traction in usage, stickiness and engagement metrics. Our Q2 FY23 DAUs are the highest ever, original content is being well received and ZEE5 app user experience has been significantly improved with ZEE5 becoming highest rated OTT app on both iOS and Android. ZEE5 iOS app ratings have gone up from 3.9 in early April to 4.8 levels now. Android app rating has gone up from 3.7 to 4.6 for the same period. All of these are strong affirmation of our investments in content, technology, and marketing. ZEE5 has clocked a revenue growth of 28% YoY during Q2 FY23, reflecting healthy traction and adoption.

Now specifically coming to the financial performance; total revenues for Q2 FY23 are up 10% QoQ and 2.5% YoY aided by growth in Ad revenues, subscription revenues and other sales and services. Our Ad revenues for the quarter grew at a healthy rate of 4% QoQ but are lower by 7% YoY. On year-on-year Ad revenues, in addition to the macroeconomic factors, previous year Q2 had higher base due to strong spending coming out of COVID and Zee Anmol FTA Ad revenue, which we withdrew from 1st April 2022. While macro-economic environment in Q2 remained challenging, our QoQ growth was a result of network share gain and focused effort from our Ad sales team on garnering higher shares from active spending categories, solution led deals and other levers such as right client mix to minimize the impact through this phase. We are cautiously optimistic for Ad spending to revive in the second half of the year as demand picks up with the onset of festive season.

Subscription revenues for the quarter grew by 7% YoY and 4% QoQ. Q2 FY23 subscription revenues were aided by catch-up revenue from the previous quarter in linear business and underlying organic growth in Music and ZEE5. From TV subscription revenue outlook perspective in September 2022, TRAI has again extended the deadline for implementation of NTO 2.0 to 28th February, 2023. In the absence of a clear way ahead of NTO 2.0, near term outlook for subscription growth remains uncertain and muted. We will continue to monitor NTO 2.0 guidelines and will be prepared to implement the same for improved longer term revenue outcome. There is also a temporary issue with collection and recognition of our subscription revenues from Siti, pending a legal proceeding. Zee Music company saw 65% YoY growth in video views highlighting the strength of ZMC Music catalog and library. The YouTube subscriber base of ZMC increased to 89 million from 78 million in last 12 months. ZMC continues to be #2 music channel and has very young and new age catalog with very high consumption. This quarter we have also reassessed the useful life of music content, looking at our own revenue profile and catalog usage, as well as benchmarking the useful life with global and domestic peers. Our current definition of useful life of music which until now was 3 years as per management assessment. Based on the outcome of reassessment and benchmarking process, we have now revised the useful life of the music content to 10 years. The total impact of the change of useful life of music asset was positive Rs 32 crores on EBITDA. On a recurring basis impact is not going to be that material as our music inventory and fresh music acquisition is relatively small compared to the overall inventory and investment. This



reassessment aligns on how music is currently being monetized on a much longer life with more predictable annuity revenue streams.

Coming to the movies business, during the quarter Zee Studios released 10 movies - 4 Hindi and 6 regionals. Aided by these theatrical releases and other syndication deals, Q2 FY23 other sales and services were up 92% YoY. While there has been a good pickup in revenues from theatrical and movies, content performance of movies generally has been softer than expected and this has caused a drag on margins. During the quarter we have seen inventory increase QoQ mainly due to movies acquired for linear and digital business. Our content inventory and advances stood at Rs 78.9 billion in Q2 FY23 and the majority of this pertains to movies. In H2 we have a strong pipeline of movies under different stages of production.

Switching gears on cost and profitability; during Q2 FY23 our EBITDA margins came in at 14.7%; QoQ improving by 110 bps but still lower by 610 bps YoY. We continue to be focused on optimizing costs across the businesses and are hopeful that when the macroeconomic environment and Ad spends improves our margins will recover from these levels. ZEE5 EBITDA losses for the quarter stands at Rs. 2,769 million. Losses were high YoY and QoQ as we continue to invest in our ZEE5 value proposition in line with our investment strategy.

Also quickly touching upon receivables from Dish and Siti. As you will recall we had agreed a payment plan with Dish and we have continued to collect as per that schedule receiving current collection along with receiving a part of the old outstanding. This outstanding has substantially reduced from Rs 5.8 billion as on March '20 to Rs 1.5 billion in September '22. On Siti, as we had mentioned earlier, we have been recognizing revenues to the extent of collection on a conservative basis. On account of a pending legal proceeding amounts aggregating to Rs. 525 million are yet to be collected and accounted for. PAT for the quarter came in at Rs 1,128 million. The cash and treasury investments of the company as of September '22 stood at Rs. 9.0 billion. The cash and treasury investments include cash and bank balance of Rs 3.1 billion, fixed deposit of Rs 5.7 billion and NCDs worth Rs 255 million.

To sum up; Q2 has shown some sequential improvement in challenging backdrop which is encouraging. However, we still have a lot of ground to cover and expect our financial performance to gradually improve in H2. Growth revival is our key focus and Q3 will see recovery from Q2 levels given the festive seasonality. However, key factor we are watching is how sustained and strong that underlying macro recovery is beyond just festive seasonality. We will provide you more color when we speak during Q3 earnings. Back to you Mahesh.

Mahesh Pratap Singh: Thank you Rohit. We'll now proceed for the Q&A session. I would request the moderator to take the discussion forward.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. We will take the first question from the line of Vivekanand S from Ambit Private Limited. Please go ahead.



- Vivekanand S:** Thank you for the opportunity, I have two questions on the merger, so one is if you can provide an update on the timelines of merger completion. A related point is with respect to the number of days that your share will remain delisted that's point one. Once the merger approvals are in place how many days will the share be de-listed, do you have clarity on that? The related question in this context is have you engaged with your institutional shareholders who have to report, they report their mark-to-market on a daily basis. So, what's the status from their compliance teams to understand whether they will be able to hold on to the shares comfortably and how does it work for their reporting perspective?
- Punit Goenka:** So, for the timelines of the merger completion, we are working with a target that it should be completed within this financial year. As you would know this is something that we are grappling with on a daily basis because this regulatory approval is required, we can't give you one final date. Number of days for delisting or company remaining delisted. our expectation is it will be about five to six weeks. And engagement with the institutional shareholders, Mahesh.
- Mahesh Pratap Singh:** At this stage Vivek, we haven't had specific concerns or feedback on the timeline. Of course, as things progress, we will continue to remain engaged and we'll continue to articulate this. But at this stage there's not anything which we've gathered which is overly significant to talk about.
- Moderator:** The next question is from the line of Abneesh Roy from the Nuvama Institutional Equities. Please go ahead.
- Abneesh Roy:** My question is on ZEE5. One part is on the significant improvement in rating in both Android and iOS. What does this translate in terms of impact on revenue or subscriber base? It's good to see that number but isn't content the most important thing? Second bit is, last year the quarterly loss run rate was more like Rs 190 -200 crores. Now this quarter is around Rs 276 crore. So is this the number we should build for the balance two quarters also in terms of loss?
- Punit Goenka:** Yes, the improvement in ratings what it does is that it gives you immediate downloadability of the app. When a consumer comes and sees a rating of below 4, the likelihood of him downloading the app is low and therefore that is the first hurdle that you can cross. Of course, after that content is the most important thing for the consumer to convert from just the download to actually becoming a subscriber. But ratings on the app store is very important and crucial. And on the run rate of the loss, for the current year yes, that's what you should factor in. But obviously post this next year we expect it to plateau and then come down.
- Mahesh Pratap Singh:** Also, just to add on the content rating as well. When you look at and I think both Rohit and PG alluded to it, lot of our recent shows' content performance is also been very healthy when you look at on ZEE5 something like *Saas Bahu Achaar* or something like *Rangbaaz* or *Tripling*. So there is equal recognition and validation of content as well when you look at the ratings on third party rating websites as well.



- Abneesh Roy:** My second question is on the viewership ratings. Good to see finally it's turning around and 30 bps is a reasonable start. But still versus pre-COVID there's still a lot of gap available. So wanted to understand on the Tamil and Hindi, now are you family confident or are these very initial days so we need to wait a bit more. You also mentioned on Marathi it is still WIP. If you could tell us what has done well in Tamil and Hindi, is that possible to replicate in Marathi to reverse there also?
- Punit Goenka:** Both in Tamil and Hindi it is basically implementation and picking the right shows, that have worked for it. In Hindi particularly both fiction and non-fiction have done well for us. Tamil is still largely fiction driven and we are pretty confident that these will now continue to grow from here. They are stabilized at this level and now we should see more growth coming. In Marathi as I mentioned in the earlier calls also Abneesh, it was an implementation issue and a team issue. A new team has been put in place about a quarter back. They are working on the plans for getting the turnaround happen in Marathi also. I'm quite hopeful that in the next couple of quarters we'll see something turn around there.
- Abneesh Roy:** One follow up was on the NTO 2.0 in your opening remark, so that has kept on getting delayed. What was the reason for the delay this time? And industry is quite capable of putting forth its viewpoint being the fourth estate. Why we are not seeing any success, any resolution here either way? So when can we see this getting normalized because then only you can start thinking of normalcy and growth in this part of the business?
- Punit Goenka:** NTO reason for delay, I don't know what TRAI was planning to do but as I understand it from informal sources that they were trying to build consensus amongst all the stakeholders. As you will understand, consensus in this industry between broadcasters, cable operators and DPOs is not easy to build. I think that is largely the reason for delay. My view is that they are finished with all the discussions and everything. We should see the NTO guidelines come out anytime now. As Rohit mentioned that 28th February is the deadline they have kept but I'm quite confident that they will not miss this deadline.
- Moderator:** The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** My first question is on the ICC event's rights. Can you talk about the amount you'll be paying and the returns that you expect and which channels the content will be broadcasted on? Also, the cash which the Mergeco will have, what's the plan to deploy that?
- Punit Goenka:** So, ICC the amount is confidential. We are not in a position to declare it right now. But as and when we have the clearance of ICC, we will share that with you. If the merger happens Kunal, then you know that you will have a formidable sports network in the mergeco and there's no reason why we would not use that as the platform. In the unlikely event that the merger does not take place we will have to launch sports channel.



- Kunal Vora:** My second question is on inventory. We have seen a further increase in the first half. It's gone beyond Rs 7,000 crores. At what level does it stabilize? When do you expect to start moderating and also in terms of accounting policies on the inventory, have you engaged with Sony and are there any differences in the inventory accounting? Is there a possibility that you might have to write it down at some stage?
- Rohit Gupta:** The inventory increase, like I said in my opening remarks primarily is on account of the movies that have been added during the quarter. So, number of movies have been added and the monetization is going to take place now. To your question whether the levels will remain. I think for at least couple of quarters yes, we will have to invest into digital content but like I have said earlier also we want to actually have the inventory additions only to the extent that we amortize so that the inventory actually stabilizes at a certain point.
- Punit Goenka:** On the accounting policy with Sony, I can confirm that there are differences and the differences are largely on the movie side. KPMG that is doing the entire work for Sony and Zee is engaged on that exercise as we speak. Closer to the merger getting completed we will come back to you as to what will be the quantum of that value.
- Kunal Vora:** On ZEE5 your costs have increased almost 50% YoY. What has been the main area of investment and how should we look at the cost increase going forward?
- Punit Goenka:** There are only three areas of major increases in ZEE5. This is basically technology, content and marketing.
- Kunal Vora:** Yes, but what kind of increase should we expect going forward because while the revenue is increasing, the cost is increasing at even higher pace. When do we start to see cost stabilize and revenue continue to move up driving improvement in performance?
- Punit Goenka:** As I stated on my earlier question that I answered that for next couple of quarters the loss level will be where it is at Q2. After that it will plateau for some time and then you'll start to see it falling.
- Moderator:** The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh Jain:** First from the Ad revenue, just wanted to understand now that this time the festive season was early and we had a positive rating improvement as well. I understand the headwinds from not having the FTA channel but I thought that the tailwinds from these two were much even stronger and despite that there was a decline on a YoY basis; do you still think that the sentiments are weak enough and how should we see them for the H2 because I think some part of the festive season already started in the Q2 itself?
- Punit Goenka:** You are right Sanjesh. The sentiments were still weak in Q2 and this is largely driven on the back of the CPG or the FMCG companies taking a hit on their volumes because of the pricing of the input costs. So, therefore it was a weak in the Q2 itself. Yes, you're



right the Q3 started off very well with October months being good but there are headwinds again that we are seeing in the month of November etc.

Sanjesh Jain: And this overall scheme of things, do you think we will have a flattish this year in terms of advertisement revenue?

Punit Goenka: I think we will see some marginal growth Sanjesh in this year.

Sanjesh Jain: Second on the capital allocation towards movie. Till now at least Hindi movies are not performing very well and we also mentioned in our initial remark that movie are dragging a bit on the margin. Are we rethinking our capital allocation towards movie? What's thought process there?

Punit Goenka: We are re-thinking or re-studying our movie portfolio strategy and maybe rejig the capital allocation within that. So, instead of spending a lot more on let's say Hindi for example do we want to spend a little bit more on the regional languages which are doing much better than the Hindi side but will we completely look at reducing capital allocation to movies. No that's not in the thought process.

Sanjesh Jain: Correlating it with the inventory. I thought we were investing a lot more in the movies so we have to buy lesser movies from the market but our movie inventory within the inventory continues to rise. So how should we see this? The movies which we are making, and it is buying so much of movies from the market, it's more to feed the digital or it is to fuel the rating. What's driving that kind of investment in the inventory as well?

Punit Goenka: It's predominantly digital Sanjesh. If you look at the last quarter on the ZEE5 platform we released almost 60 films across languages so that is the animal that you have to feed and that's what is driving the movie inventory.

Sanjesh Jain: A&P spend rise this quarter sequentially also is because of the movie launches we have done or what's driving that cost line item?

Punit Goenka: Yes, you are absolutely right. It is the movies that is driving that line item.

Moderator: The next question is from the line of Abhishek Kumar from JM Financials. Please go ahead.

Abhishek Kumar: Actually, most of the questions have been answered, a couple of more. So, one on ZEE5. I think we have taken a price hike last quarter if I am not wrong. So, how much of the growth can be attributed to price increase and how much of it is actually user that is question number one and second on music, I think in your opening remarks Rohit mentioned that Rs 32 crores is an impact on EBITDA. I just wanted to understand a bit more. Is it a change in amortization because if that is the case then probably incrementally also, we will have some impact and if we take that out, looks like on a QoQ basis also the margin is flat. How should we look at the margin going forward for the second half and probably if you can give a direction of when can we go back to normalized levels going forward?



- Punit Goenka:** The ZEE5 price hike the attribution of growth to that is miniscule Abhishek because we account for the revenue on a realized basis not on receipt basis. Even if you take a Rs. 100 price hike that will be attributable very limited on a 1-month basis. Therefore, the growth on the ZEE5 subscription is pretty much is coming on the back of new subscribers. I will take the last one but then music I will tell Rohit to answer. So, on the margins I think this year we should not expect any normalization of margins like we used to have at 24%-25% levels. This year will be subdued in terms of margins. Because unlike last year where when the margins came under pressure, we significantly cut costs and that has further impacted revival of our channel's market share. This year we have consciously taken a decision not to cut the cost down to the bone and leave some meat on so that we have a healthy entry into the next year when the things are more normal.
- Rohit Gupta:** Abhishek on the music like I mentioned in my opening remark we were actually estimating and amortizing the music inventory in 3 years and like how we re-assess all our investments periodically, we have also re-assessed music. We have benchmarked with various Indian companies and global companies and we've seen that most of them are actually the amortization happens between 10 to 25 years and therefore we have changed this from 3 years to 10 years. The impact of that one-time impact in this quarter is Rs 32 crores. There will be some impact, but of course it will not be that substantial in the coming quarters.
- Abhishek Kumar:** What is this exceptional item in the P&L?
- Rohit Gupta:** The exceptional item has two components to it. One is the continuing provisions that we make for the DSRA guarantee that has been given for Siti. Whatever the amount becomes due every quarter we continue to provide for it and then disclose it every quarter in our quarterly accounts, so Rs 16 crores is that and then secondly to obviously give the right disclosure whatever merger related expenses are there that also we account for separately and show it as exceptional items.
- Moderator:** The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.
- Jinesh Joshi:** I have a question on the FTA withdrawal side. I thought this was the second quarter post FTA withdrawal. Can you highlight where are we in terms of revenue improvement especially on the subscription side? Also given that this was an FTA channel, pricing would have been lower as content will not be as fresh? Does this type of content find any acceptance on the pay TV side? I just thought of asking this because I mean Ad revenue loss from FTA is also one of the reasons as to why our overall EBITDA margins have been slightly lower over the last few quarters? Your thoughts on that.
- Punit Goenka:** The FTA channels that we were running they were running reruns of our pay channels and because the FTA universe doesn't get the pay channels, for them it was like fresh content. The moment we just put this content on the pay ecosystem the audience has already seen it or it's dated. It's dated by almost a year. Therefore, it's not finding any traction there and therefore I don't think that would have had any impact on that



side. You're right that a large part of the FTA revenue flows directly down to the bottom line and has an impact on our EBITDA.

Jinesh Joshi: So, in case if we are not able to find the improvement on the subscription side what could have been the reason of withdrawing it from the FTA as such?

Punit Goenka: Jinesh if you will plot the subscription, subscriber numbers for the DTH industry over the last 2 years, you will see the rapid fall that they have witnessed. It has gone from 58 some million subscribers down to 53 odd million subscribers. This was the sole reason for us to withdraw because we were seeing a lot of the DTH subscribers migrate to DD Free Dish.

Jinesh Joshi: I just need one small clarification. I think this was explained previously as well. This is with respect to these Rs 32 crores of EBITDA bump up which we have seen in this quarter due to change in the accounting policy from 3 years to 10 years. If you can just highlight the reason behind it because earlier if it was 3 years the revenue and cost apportionment happened over that time frame and now it will happen over a 10-year timeframe so how does this actually lead to a bump in EBITDA?

Rohit Gupta: So, I just actually responded to this query before. Let me repeat it Jinesh. Like I said for the music investments and the songs that we acquire, you were actually amortizing them over 3 years and when we have benchmarked this with all other players and also seeing the revenue profile and how the revenue accrues, we realized that 3 years is actually not the right time frame and therefore we have now changed it to 10 years. Because there is an opening inventory so there is a one-time impact that we have of Rs 32 crores in this quarter and that's why this has been disbursed. Going forward the impact because we do not add that much music inventory as compared to our other movies and so on then impact will be much lower.

Punit Goenka: Jinesh and also the fact that because we were new entrants into the music business, we did not know what the global practices were. This was then discussed with our auditors. They did extensive exercise and told us that the natural amortization for music is between 10 to 25 years. We have taken the lower of what the global standard is.

Jinesh Joshi: Basically, to sum it up inventory adjustment has led to this EBITDA bump, right?

Rohit Gupta: Yes, you can say that.

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

Aditya Chandrasekar: On the subscription side after we withdrew from FTA, have we seen a reduction in churn as in, in terms of users moving from pay TV to FTA not necessarily for Zee but for the industry as a whole since all broadcasters have kind of pulled out of FTA? And a related question so we have a 7% QoQ increase in subscription revenue so is that mostly coming from digital or has linear side also grown a little bit?



- Punit Goenka:** No, the significant or maximum part of it is coming from digital. Linear is not shown any growth. What we have seen on your first question on the reduction in churn; absolutely the churn has been reduced. The subscriber base is now stable at the 53+ mark. In fact, in September if I remember I saw 53.8 so it's a healthy sign. We were hoping it will increase but that is not translated yet. The industry is going to wait and watch before we take a decision what way we want to go.
- Aditya Chandrasekar:** One more question. I dropped off for a few minutes so I missed it. How many days will the stock be de-listed for in the merger process?
- Punit Goenka:** 5 to 6 weeks.
- Aditya Chandrasekar:** 5 to 6 weeks?
- Punit Goenka:** That's the SEBI norm. I'm just quoting what is in that policy.
- Moderator:** The next question is from the line of Arun Prasath from Spark Capital. Please go ahead.
- Arun Prasath:** Punit, my first question is on synergy, I'm sure you have touched upon this many times quantitatively but qualitatively what is the pulse you are getting from your distribution partners or advertisement agencies and advertisers? Can you give some update on that qualitatively and which are those areas we will be prioritizing over a period?
- Punit Goenka:** Arun, it will be largely revenue driven and we are expecting about 6% odd synergy benefit of Zee revenues, Zee alone revenues and if you were to look at on a combined basis it will be between 3% and 4% of the combined mergeco's revenues. The areas, obviously the most lucrative area is the advertising pie, and based on how the new NTO shapes up and how we bring the two bouquets together will determine whether even in a subscription we can see a bump up. But right now, we have not factored that in. This is largely driven from the international markets or the digital business and the advertising part.
- Arun Prasath:** On advertising it is more on the yield side or the inventory filling. How we should look at it because?
- Punit Goenka:** Combination of both.
- Arun Prasath:** My second question is on the movie production in line with the previous participant's question. I'm sure that it's a contentious position because it's always build versus acquire but unlike other markets in India, we don't have that much dependence on the Hollywood, and we have no dearth of companies that are producing movies in this country. Wouldn't it make more sense to buy rights, post the theatrical release so that we only pay for the content that is liked by the audience at large and how we should look at it? Quality versus quantity balance isn't it more towards quality and how it does impact it so far, your acquisitions and user acquisition at Zee and Zee5?



- Punit Goenka:** Unfortunately, the industry doesn't work that way because these movies get sold even during production and if we were to wait for the film to be released in theater and then take the chance of buying the film there is a risk to that as well. So therefore, the industry is behaving in the manner that it does. Therefore, we have to participate and play the game as per the industry and our view is that we would also like to continue to build and buy as little as possible. At times that's not possible but we are working on that strategy.
- Arun Prasath:** So, what will change this scenario? What will make you revisit this movie production business? Because a lot of capital seems to be getting locked in this business and it is also dilutive in terms of margin?
- Punit Goenka:** It will be dilutive to margin we knew always. That is not the factor which will make us decide whether to be in this business or not. I think what we will decide is what kind of films do we want to participate in and what kind of language and what is our capital allocation to languages based on how the box office is performing market-by-market. That is what will help us in realigning or rethinking our portfolio approach.
- Moderator:** The next question is from the line of Himanshu from Dolat Capital. Please go ahead.
- Himanshu:** Can you just let us know the contribution of three channels that we will let go off as part of merger? Their contribution to our current viewership share and Ad revenue?
- Punit Goenka:** The Ad revenue part I cannot share. It is a bit confidential in nature. As you would understand that we have to still go and divest these channels. The viewership share is about 1% All India level.
- Moderator:** Thank you. That was the last question for today. I now hand the conference over to Mr. Mahesh Pratap Singh for closing comments.
- Mahesh Pratap Singh:** Thanks Tanvi. Thank you everyone for your interest and thanks for joining us today. We hope all your questions were answered. Should you have any further clarification or questions feel free to reach out to us. Thanks again and look forward to speaking with you post our Q3 earnings.
- Moderator:** Thank you very much. On behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.