



Zee Entertainment Enterprises Limited

CONFERENCE CALL

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Edited Transcript

MANAGEMENT:

Mr. Punit Goenka – Managing Director and CEO

Mr. Vikas Somani – Head M&A

Mr. Mukund Galgali – Head of Strategic Initiatives

Mr. Rohit Gupta – Chief Financial Officer

Mr. Narayan Baheti – Head FP&A and Investor Relations

Mr. Amit Joshi – Investor Relations



Moderator: Ladies and gentlemen, good day and welcome to the Zee Conference Call update on Corporate Development. 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. Amit Joshi. Thank you and over to you sir.

Amit Joshi: Thanks Rutuja. Hello everyone and welcome to today’s call to discuss update on proposed transaction with Sony. Hope you all are well and taking good care of yourselves. We have with us today our MD and CEO Mr. Punit Goenka; CFO, Rohit Gupta; Head of M&A, Vikas Somani; and Head of Strategic Initiatives Mukund Galgali. We will start with a brief statement from Mr. Goenka and subsequently open the floor for Q&A. Today’s discussion would be limited to the announcement of the proposed transaction and any questions related to the performance or Q3 results should be reserved for earnings call, post Q3 results are announced.

Before we begin the call. I would like to remind everyone that anything we say during the call that refers to our outlook for the future is a forward-looking statement and must be taken in the conjunction of the risks that we face. We will begin now. Thank you and over to you PG.

Punit Goenka: Thank you Amit. Good evening everyone. Hope you all are doing well and staying safe. I would like to thank you for making time for this interaction today. We have achieved yet another significant milestone in the enterprising journey of nearly three decades, offering the best of entertainment across multiple consumer touch points. I’m immensely pleased that Zee and Sony have signed the definitive merger agreements to combine our entertainment portfolios that span across linear networks, digital assets, production operations, and program libraries. This moment has been a culmination of several weeks of hard work during our exclusive negotiation period, wherein the two companies conducted mutual due diligence. Both the companies have very strong presence in the Indian market across entertainment genres and platforms. And this combination has all the ability to create a leading media and entertainment company in India.

The combined company is expected to accelerate growth by offering rich content backed by data and technology led solutions to deliver robust consumer experience across screens. Additionally, the infusion of growth capital in the combined company



will help drive scale by pursuing growth opportunities across the business. It will also enhance our content creation capabilities, fortify our footprints in the digital ecosystem and enable us to bid for media rights in a fast growing sports landscape. I really look forward to leading the company, the combined company as the Managing Director and Chief Executive Officer and unlocking its immense potential. As of today, these are the key details that I can share with you all. While this is a good positive step, as you are all aware, there are multiple stages in bringing the combined company into existence.

As per the process, we will now move forward with the next steps that involve the necessary regulatory and shareholder approvals in accordance with the law. As we progress further and design the future course of the combined company strategy, we will keep you apprised. There are certainly exciting times ahead of us as we explore the potential of this combined company and accelerate its growth in the country. On that note, we can now commence the Q&A session. Thank you very much.

Amit Joshi: Thank you PG. We will now proceed to the question-and-answer session. I would request the moderator to take the discussion forward. Thank you.

Moderator: Thank you very much. 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: Thanks congrats Punit on today's development. My first question is on the OTT post-merger the combined OTT app if that will happen that will become the second largest OTT app. So my question is, in terms of sports, how serious will the combined app will be and in the interim, how will you play it because ZEE5 and Zee is also bidding for example, for the Dubai T20. So in the interim what will be the plan on sports and on the sports as a merged entity how aggressive will you be and one more related question is, when I see the pricing of the competition, Amazon Prime has increased its annual ARPU charge from consumers. On the other hand Netflix which is very expensive has cut. So do you see that the pricing in terms of aggression by the competition is now reversing towards the upside. So ARPU, is now likely to increase in the next two to three years, I'm not saying in the very near term. So, the lowest pricing is now behind from an OTT ARPU perspective?

Punit Goenka: Thank you Abneesh. So, on the OTT side, let me first say that as of now, the two companies continued to run the business on as is basis, we cannot come together for any coordination until and unless the merger process is completed. And therefore,



we will be considering bidding for sports rights whether it be IPL or any other, as we have taken a conscious decision to enter back into the sports business. Having said that, we will be aggressive in sports acquisition independently and also jointly as and when the company comes together. But keeping prudence in mind that eventually we have to deliver shareholder value. So that it remains intact as a DNA of the ongoing concern. In terms of the OTT merging, that is a decision that the merge core Board will have to make. And I'm unable to comment on that at this point in time.

Abneesh Roy:

Sure. My second question is on the bidding war which happens in terms of the movie rights both on the OTT and the TV rights, we have seen last four, five years there has been fair amount of aggression in the industry. Now, because of this consolidation, do you see the movie bidding rights that aggression in the industry reducing because there is one lesser player, so what will be your thoughts on that. And also a related question on the cost synergy, could you give some more detailing you're always spoken on the revenue synergy of 6% to 8% or 6% to 10%, whatever is the number, but on the cost not getting into the employee cost but on the other cost, is there a sizable saving or we should look at more in terms of the revenue synergy just throwing into the EBITDA?

Punit Goenka:

So first and foremost the bidding was on the film side, I don't think just because of this one consolidation it will soften up. But certainly we will try and bring some rationality there as much as we can in our control, but keeping in mind that the ultimate objective of the business is prime and that has to be met. In terms of your other question on cost synergies, I actually meant that we have a total synergies of 6% to 8% a large part of this will come from revenue and some part will come from cost. So our focus is more towards revenue synergies and cost will find this thing over a period of time.

Moderator:

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

Naval Seth:

Two questions, one with this de-listing and listing of the new entity will it have any implication on minority shareholders tax implication on minority shareholders under current SEBI rules. And second question is on brand merger, will you be keeping two separate brands and if Yes, for how long brand merger when it will happen so any timelines for that as well?

Vikas Somani:

So, first question let us handle on the delisting part.



Vikas Somani: So the listing of the shares will get suspended for some time. And what we gather from our advisors is that, that process should take around three weeks to get completed and post three weeks the listing will again rescue.

Naval Seth: And about taxation part, will it be negative on tax implication to the minority shareholders because of this transaction altogether?

Vikas Somani: No. So you mean the tax of the shareholders that's what you mean?

Naval Seth: Yes.

Vikas Somani: No. So, we have taken a holistic view on this particular move and keeping everything into consideration what we are looking at here is that what is the best possible structure between both the partners going forward, so that long term value can be created. So, that is what the objective which we have kept in mind while coming up with this structure right now.

Naval Seth: Okay. And Punit if you can take second question.

Punit Goenka: So, Naval with the merger, the brand ZEE also gets merged into the new entity, and will belong to the new Co. or the merge Co. and, as of now, that's what I can tell you. Now, it is for the new merge Co. board to decide which brands to keep and for how long. But from my own intuition purpose, both the brands are strong brands, and with loyalty attached to themselves. So the board will take a prudent call at the right time.

Naval Seth: And one last question, can you suggest the timeline in totality, how much it will take for all the approvals to be in place and merger to get effective?

Punit Goenka: I expect that it should be 8 to 10 months at the outset with us.

Vikas Somani: Yes, timeline of the merger is what as PG has said it. This is going to take around eight months for the entire process to get completed. Sorry. I'm sorry on your earlier question, I again want to clarify this is not a delist.

Naval Seth: Okay. So then the tax implication will not come into play.

Vikas Somani: Merger is tax neutral for all the shareholders.

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



Vivekanand S: With the merged entity now having around 18,000 cores cash on book. How are you thinking about utilization of the cash for the next few years. I'm asking this in the context that we used to return cash to shareholders and we had redeemable preference shares so 2000 crore return over five years. And you were also paying a dividend, another 300 odd crore per year. So now, what is the thinking with respect to cash, are you going to hold on to it, suspend dividends, how should we think about allocation of the cash, will it be primarily for acquisition of content or will you also end up acquiring other firms given that you have so much cash reserve?

Vikas Somani: So Vivekanand you are absolutely right, the cash that is coming into the company will be utilized for multiple reasons, which could mean further M&A opportunities in the digital space. It could mean bidding for premium content like sports, it could also accelerate our investment in the digital business. So that's what we are going to be utilizing this cash for. And again, the capital allocation will be decided by the new merge Co. board as and when that gets formed. On the dividend side, we intend to remain a dividend paying company. The intention is not to stop paying dividends.

Vivekanand S: Okay, thanks. Just one small follow up, so the cash infusion of 1.5 billion by Sony. Now, was it decided based on the capital requirements perceived by the two companies in the business or was it because Sony wanted to have 50.9% stake. So I'm just trying to understand the motivations behind the \$1.5 billion infusion number?

Vikas Somani: It was a combination of all these factors, definitely Sony wanted to have a control over the company as far as shareholding is required that was a basic required or asked from Sony. And the second factor, we also had sat together and made an estimate of what kind of cash would be required in order to achieve what we need to achieve. So this growth capital had been infused and it meets both objectives, both for the company and for the Sony as well.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question, continuing with the 1.5 billion cash, if I take into consideration these infusion, as well as the existing cash on the books, the incremental sum is around \$1.2 billion itself. So let's say that an aggregate of 1.5, but we have aspirations to scale up in sports you have also mentioned IPL in your comments. Do you think this fund will be suffice to sort of address all those content investments, or probably as a merged entity we are okay to probably lever it up and then take the investments ahead?



Punit Goenka: Sorry, I didn't understand your first part about how it is 1.2 billion, how did you arrive at that number?

Ankur Periwal: So taking, the 1000 odd crores that we will be as promoters putting into the company and existing cash balance from Sony ballpark numbers.

Punit Goenka: Okay. So, you're absolutely right this is the kind of capital required for the plans that we have foreseen as of date, over the next three to five years.

Ankur Periwal: And will probably be okay to sort of lever the balance sheet and maybe increase the investment further, if need be so, especially on the sport side?

Punit Goenka: As of now no, that is for the new merge Co. board to decide whether they would like to leverage the company or not. But, as of now there is no such plans.

Ankur Periwal: Sure. And second question on the synergies side, so our understanding was probably that 6% to 10% synergy was more on the revenue side. But, you corrected that this is probably on the overall side led by revenues, correct my understanding there, because my sense is that at yield differential itself should contribute to that delta there. And apart from that, there could be many sort of maybe loss making investments which either Sony or we are doing, or which are not commensurate to the market share gains versus the synergies wherever it is on sports on the regional network side. So, shouldn't the synergy be much higher over there?

Punit Goenka: Yes, so Ankur there could be other upsides that you are mentioning, but we have taken a conservative view currently. Obviously, all those details can be evaluated going forward once the merger takes place. Secondly, just want to clarify, revenue synergies come in much faster and cost synergies take time to be realized. So, what I gave you the number of 6% to 8% is within the first 12, the first full financial year operations, where we will get the revenue synergies in place. Whereas cost synergies may take some more time to flow through.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI. Please go ahead.

Sanjesh Jain: If I look at your synergy of 6% to 8% Punit and you have mentioned that majority, it will come from the revenue side, that also indicate that we see very little scope for further channel consolidation, will that be a right assumption to make?



Punit Goenka: Yes, actually there is not too many overlapping channels that we have in the portfolio. So, that's the right statement that you're making.

Sanjesh Jain: That's the right statement. And we will be maintaining this genre kind of a division within the Sony and within the ZEE where we were catering more to a family and the other one was more a comedy genre, that thought process continues that the dominance will continue and the program portfolio which we have will continue or we are looking at even synergizing the program portfolio and the program capability between the two companies?

Punit Goenka: Every portfolio channel has a unique proposition that it offers the viewer. So, changing that would be actually detrimental to the entire business. Therefore, that will remain core to it. But anywhere we can bring in synergies and efficiencies either from our learning's or from there learning's, we'll certainly look at those and bring those in for best practices.

Vikas Somani: And then of course, there are going to be the scale benefits also.

Sanjesh Jain: What will be the scale benefits?

Vikas Somani: I'm talking about the revenue upside out here, when I say the scale benefit, again I'm repeating so we are saying we will try to maintain the same cost structure. And we are as PG has just said that we haven't considered a lot of cost synergies right out here. But what we will try to achieve with the same cost structure is how to scale up the revenues.

Sanjesh Jain: Got it. One from the regulatory side of it, do we see any roadblocks or a possible query from the CCI considering that the industry will see a meaningful consolidation with this merger?

Punit Goenka: We don't expect anything of that sort, it is going to be a form to filing and it's going to be a joint filing between us and Sony. And I'm sure they will raise their questions, but we are well prepared to answer any of those. Also, keep in mind that there is a precedence of merger of this scale and size that has just taken place in the recent past. And therefore we don't see any issues.

Sanjesh Jain: So that should not be a cause of concern for anybody?



- Punit Goenka:** No, it's not.
- Sanjesh Jain:** So Punit, just for the benefit of us, you did mention that it will take 8 to 10 months, but if a brief what are the permissions which will be required for this merger to go through, if you can just list that that will be very helpful.
- Vikas Somani:** Yes. So the approvals which we require out here is the number one is of course CCI and will also have to do the filings with the stock exchanges, we will have to get the stock exchanges approval, following which there would be NCLT process and definitely the shareholder approval.
- Sanjesh Jain:** Got it. We will require MIB be approval as well, Ministry approval?
- Vikas Somani:** Yes. We will have to apply to MIB also.
- Sanjesh Jain:** Just wanted to understand this part of going delisting and again listing in a three week. At what phase will that come in?
- Vikas Somani:** That will come in post this year, NCLT all approvals have come in, that's actually the last phase.
- Sanjesh Jain:** Okay
- Moderator:** Thank you. The next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.
- Jaykumar Doshi:** I've got two bookkeeping questions. First one is, in the non-binding offer, Sony was going to merge into Zee, but in the final offer, Zee is now merging into Sony. And that did not leads to delisting and relisting in three weeks of sort of period in between. So, just want to know what was the rationale of this change in structure how?
- Punit Goenka:** So Jay, there is no change in structure even at the non-binding term sheet, Sony was not merging into Zee it is always Zee merging into Sony and that is something that Sony wanted and that was a structure we had come up with them.
- Jaykumar Doshi:** Okay understood. Second is, I am not sure as looking at the tables in the scheme of the arrangement and will Essel group continue to be promoters in the merged entity, combined entity?
- Punit Goenka:** Yes, we will continue to be promoters.



Jaykumar Doshi: So, then as per the current regulation does that means that in case if there is an ESOP plan in future as a promoter one cannot participate in that arrangement is that correct?

Punit Goenka: That is correct.

Jaykumar Doshi: Okay, so there were two bookkeeping questions. Now one on broadly you mentioned you will aggressively look at acquisitions of sports right. So, I'm assuming you're looking at both digital and television rights for upcoming IPL and other properties, is that correct?

Punit Goenka: Yes, but I use the word aggression with caution.

Jaykumar Doshi: I understand. But if let's assume if digital is not available would you be still willing to commit a larger amount to television right of sports or it will be either combination or nothing?

Punit Goenka: Highly unlikely Jay.

Jaykumar Doshi: Understood. And just for my understanding, what is the amount of capital that is necessary or required let's assume if you're bidding for IPL and if you win both the rights is \$1.5 billion more than adequate in terms of advances that you may have to pay, what is the nature of advances. We hear about the actual contract number that runs into a few billion dollars over a five year period. But what is typically the advance that is necessary in some of these sports right?

Punit Goenka: So the last bid document talked one year's right see as bank guarantee and 50% advance for one year's tournament. But what would be this year's bid documents and the terms we have no idea as the documents are not out yet. And what we have done is our calculations, more than adequately suffice for those kinds of requirements, plus our investments in the digital business that we may look to accelerate.

Jaykumar Doshi: Perfect, just final one since you've done due diligence of Sony, I had one or two questions. What in your view is the investment that Sony is making in Sony Live today and what would be the losses that they would be incurring at this point?

Punit Goenka: Sorry, I am forbidden from sharing those details as of now.



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

Himanshu Shah: Sir first question, Sony was supposed to infuse as per the draft scheme of arrangement around \$1.6 billion, but in the revised in the final arrangement it is infusing close to \$1.1 billion and the merged entity was supposed to have near about \$1.9 to \$2 billion including cash on fees but now the press release is mentioning \$1.5 billion of cash. So, can you just explain this gap of close to \$400, \$500 million, the lower infusion from Sony side?

Punit Goenka: Yes, as per the term sheet, Sony was supposed to infuse \$1.575 billion into the company. Now it is going to infuse \$1.5 billion into the company which is \$75 million less and this has been posed due diligence as per the relative valuation which has come up these are the numbers, \$1.5 billion is the resulting number.

Himanshu Shah: So, Sony will infuse \$1.5 billion or the merged entity will have \$1.5 billion?

Punit Goenka: Sony will infuse \$1.5 billion into the company, it is going to infuse \$1.5 billion into SPNI before the merger happens and thereby the merged entity will also sit with that cash.

Himanshu Shah: Okay. And secondly, you mentioned on the media interview that shareholder approval of 75% of the shareholders will need to approve the deal. Now, in case if this 75% threshold is not reached through then what is the fallback option?

Punit Goenka: There is no fallback option in that case Himanshu, the merger does not go through and we continue the life as it is.

Himanshu Shah: Fair enough. And lastly since this process will now take at least around 8 to 10 months and will there be some more disclosures on the merged entity on a quarterly basis in the time merger is done or it's unlikely?

Punit Goenka: No, there are not going to be any more disclosures right now.

Moderator: Thank you. The next question is from the line of Deepak Gupta from Reliance Nippon Life Insurance. Please go ahead.

Deepak Gupta: My first question is, if you could share some perspective on how the valuation of 53,000 crores were arrived for the merged entity?



- Vikas Somani:** See the valuation has been done on the relative basis, the relative basis of both the businesses and their business plans. That's how the valuation has been arrived. It's a relative valuation of both the businesses.
- Deepak Gupta:** Okay, and this include the cash infusion of \$1.5 billion which Sony is doing in the merged entity?
- Vikas Somani:** Yes, that's right.
- Deepak Gupta:** Understand. And the second question is, I believe for Sony India the music business and the movie production businesses outside the merged entity so is that understanding correct and if it's correct, what will happen for the music and the movie production business of the merged entity once the merger takes through?
- Punit Goenka:** That is correct Sony's music business and the movie production and distribution business is outside the merger. But our production business and music business will continue in the merged entity.
- Deepak Gupta:** But Punit wouldn't then create competition between Sony and the merged entity, given the fact that you all will be doing, we all will be bidding for the same rights for the movies as well as for the music?
- Punit Goenka:** Yes, that's what it will do. So that's something the way it is. We are not structured under SPNI as of now also.
- Deepak Gupta:** So, do you think in future that can get consolidated or maybe the merged entity stopped the music and the movie production business?
- Punit Goenka:** We will see after the merger right now, we have a handful to get this thing done and then probably engage with them afterwards.
- Moderator:** Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.
- Manish Ostwal:** Yes, sir. I have one question, why the Sony management team is not on the call to talk about the end of the day it is backed by the Sony and the release of the board of Sony?



- Punit Goenka:** Because one they are not listed, second that will be in contradiction to the CCI guidelines.
- Manish Ostwal:** Okay. The second question is, sir can you clarify the path of the equity dilution because the number is not clear when I put the calculation, 173 crore of fully diluted equity after the merger.
- Rohit Gupta:** In terms of the percentage shareholding. So, before excluding the non-compete if you exclude the non-compete Sony group will be holding 52.97% into the company and the Zee from public shareholders will be holding 45.15 and Zee promoters will be holding 1.8. Post the non-compete transaction Sony group will be holding 50.86, Zee public shareholders will still hold the same amount of course 45.15 and the Zee promoters will be at 3.99%.
- Moderator:** Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.
- Jinesh Joshi:** Sir, what happens if any of the contingent liability of Zee materializes post-merger will the new entity subsume it or is there any other provision?
- Vikas Somani:** The contingent liabilities will get transferred and as a going concern, it will remain and be treated, will be given the same treatment as it's given right now.
- Jinesh Joshi:** So, the new entity will subsume it correct?
- Vikas Somani:** Yes, that's right.
- Jinesh Joshi:** Okay. And secondly, on the amortization policy we have a certain policy with respect to movie rights and music rights and my belief is that Sony may have a different structure. So post this merger going through, how will this policy be realigned?
- Punit Goenka:** That policy will be realigned when the merger goes through by the new merge Co. board and then made public.
- Jinesh Joshi:** Okay. Sir one last question now, since we are into a definitive agreement just in case if the process is stalled because of any regulatory reason or say for example like lack of shareholder approval will it lead to any kind of liability on the part of Zee?



Punit Goenka: Not on the account of shareholder approval, but we have an exclusivity obligation on each other in the event of breach, then there could be a penalty associated with that.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Two follow up questions, so one is on the international business, we have seen Zee's international revenues being stagnant or some dip in the past few years. Now, Sony obviously is a global player and obviously is very big in music and movies. So do you get some advantage because of that in terms of international because as a bouquet also, to the Indian expat and maybe to some of the foreign consumers, you will become a bit more relevant. So could you talk about that benefit, I'm sure it comes in the 6% to 10%, but wanted to understand how significant it is?

Punit Goenka: Certainly, it will benefit Abneesh by bundling our content in the international markets. As I said, even in the Indian markets we do have a lot of benefits bundling together because of practically no overlap of the kind of audiences we address. And more so that will be relevant in international markets because of the kind of content which may resonate much better than.

Abneesh Roy: Sure. Second question is on sports so, five, six years back you had exited sports, and now you're started bidding, because you said it makes much more sense now, but wanted to understand in the next two to three years perspective, based on your cost conscious strategy which will continue even in the merged entity but your aggression which will go up in sports how do you see the sports losses because I am sure it's making a lot of sense from OTT perspective, but from a loss perspective if you could give us some color, Ten Sports never made money.

Punit Goenka: Yes, you're right and it is going to be a challenging one. But certainly, as I said aggression is with caution. And that does not mean that we will start borrowing and invest without rationale and make cash into losses. But if it means short term losses for the gain of the OTT business we will make those prudent losses at the right time. But, right now Abneesh I would not be able to share more color on that.

Abneesh Roy: Sir, not any numbers but I wanted to understand when you say it makes more sense. Is it just from a subscriber market share perspective it makes sense because in OTT currently this is land grab phase, so it makes a lot of sense to acquire customer rather than looking at profitability or is it a good mix of reasonable not very high losses and



obviously market share gain because of the subscriber which one is it that I wanted to get a sense.

Punit Goenka: So, it's a combination of the two, the most obvious one is the acquisition of the subscriber base. That gives you a sure short acquisition of a large subscriber base, and then you use other content to retain the same subscribers. So in the short term acquisition, but in the mid to long term it has to make somewhat of financial sense may not be as much profit as the other entertainment portfolio of the company, but certainly cannot be losing money forever.

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

Vivekanand S: Historically, we as a group or rather, the Essel group has invested in infrastructure as well like distribution, either via cable or DTH and in the past, we've also considered investing in sugar box to increase our distribution and reach would the cash also get utilized for say last mile consumer reach or let's say increase of distribution that's one. Secondly, what about historically we had a view of say the market where we had \$6 now new genres are also emerging like gaming content and then there are distribution platforms that are getting formed exclusively for gaming, is that something we would consider at all because we have also given that Sony has spent till this space globally, is this an area that you will be considering to invest. Thank you.

Punit Goenka: Yes, so Vivekanand to your first question, the answer is no. We are not going to be investing in infrastructure for last mile connectivity. To your second question, we will certainly evaluate all opportunities going forward and if that means gaming, is something that's big, and we know it is big, it's growing very fast. And Sony does have a lot of strength in that area, we'll certainly consider and try and make it part of our portfolio.

Vivekanand S: User generated content you had tried something with Zee5, so is there something that you are looking at very seriously?

Punit Goenka: Yes, we are looking at that very seriously.

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



Naval: So, I have question on accounting policies, in terms of as the due diligence is done with. So is there a significant difference in content amortization?

Punit Goenka: Yes, there is a difference in content amortization, on amortization and especially in relation to the amortization of the movie content. And that is something of course which both companies need to harmonize going forward.

Moderator: Thank you. The next question is from the line of Rohit Potti from Marshmallow Capital. Please go ahead.

Rohit Potti: I was hoping you could give me more clarity on the cash component that Sony is bringing in because I'm still a little confused. So from the disclosure, it seems that for around 26 crore shares, Sony is going to infuse 7950 crore which is 1.1 billion. So, could you bridge the gap between this 1.1 billion and 1.5 billion that you've been talking about?

Punit Goenka: Yes, sure. The Sony will need to ensure that just before closing they need to bring in 1.5 billion of cash into the company as part of this transaction. Now how this cash is going to come is as follows, from #A Sony is going to give the non-compete compensation to the promoters and the promoters in turn are going to infuse cash of around 147 to 148 million into the company, the balance of the cash needs to come from Sony itself. And that will come in the form of the cash infusion right just before closing, plus also whatever cash they would have already infused into the company between now and till then. So let's say between now and till then if they would have already infused around \$300 million, then the balance is what they need to bring in just before closing. So the sum total of all these three different cash infusion streams is 1.5 billion.

Rohit Potti: So, what you mean to say is that 1.1 billion of 26 crore share infusion is happening right now that has been disclosed, the 145, 150 million that has been given as non-compete to the Essel group that's also included, and there will be additional share infusion for which around \$300 million will be infused by Sony, am I correct?

Punit Goenka: Yes, the 26 crore shares which you're talking about that part of the cash infusion will happen as a part of the scheme and over and above there will be cash which they already would have infused into the company between now and then. And then the third part is the cash which will come infusion by the Zee promoters.



Rohit Potti: Okay, so there will be in addition to whatever disclosed in the scheme, there'll be additional cash infusion by Sony between now and when the deal is consummated, that's what you're saying?

Punit Goenka: Absolutely correct.

Rohit Potti: Okay, and addition to this whatever cash is with Zee in the books right now, and with Sony in the books together it will reach around \$2 billion am I right?

Punit Goenka: It won't reach to 2 billion, but whatever cash is there in Zee's books today that that's over and above this 1.5 billion. Thanks for asking this, because I believe there has been some confusion in regards to this. So again, I want to repeat myself that Sony, all put together is going to infuse 1.5 billion as on the date of closing or just before closing.

Moderator: Thank you. The next question is from the line of Satish Saraf from Tusk Investment. Please go ahead.

Satish Saraf: It's more around what to expect in the next six to eight months until the merger is complete, would the strategies continue to be the way they are for Zee and Sony at an individual level or would they be convergence starting already?

Punit Goenka: No, until and unless the merger does not take place we cannot converge and bring strategies together. So it will only start to happen post-merger. Until then the two companies will operate as individual entities as they are operating right now.

Satish Saraf: Okay, got it. And in terms of Zee5, we see in different interviews that there are plans to integrate education, sports, elements, and some other elements into the Zee5 app. So where are the plans going as far as enhancing the Zee5 app experience to make it into a full blown digital sort of an app and not a media app so where are we with that?

Punit Goenka: So, the work is on that and maybe we can take it up in the quarter three earnings call. Today we can just restrict to this transaction please.

Moderator: Thank you. The next question is from the line of Mridul Shah from Aamara Capital Private Limited. Please go ahead.



Mridul Shah: My question was regarding the non-compete fee of 1100 crores, what is the tax implication if anyone did and how does this tie down to the 2.1% that we're talking about?

Punit Goenka: In regards to the non-compete transfer or the non-compete compensation to the promoters there is no tax implication to the company on this.

Mridul Shah: No, not to the company but I believe that 1100 will go to a promoter entity, whether individual company whatever and that money goes there and eventually comes back to the company. So are we saying the exact 1100 say net of tax comes to the company or are we saying 1100 minus the tax comes to the company and that implies to 2.1%?

Punit Goenka: That's 1100 crore cash payment is between promoters between Sony promoters and Zee promoters, it's not a part of any transaction to do with company. And again, I'm repeating so, Sony will ensure that at the end of the day 1.5 billion of cash in totality comes into the company.

Mridul Shah: I completely agree that the transaction is between Sony and Zee. So, we are saying 1100 comes from Zee irrespective of the amount transfer between Zee5 and Sony?

Punit Goenka: Yes, that's correct.

Moderator: Thank you. The next question is from the line of Arun Malhotra from CapGrow Capital. Please go ahead.

Arun Malhotra: Just wanted to check since I understand the sheer shareholder approval is going to be the most critical part. Did we had discussions in the past in the last 90 days about any objections they may have or any feedback they may have?

Punit Goenka: No, we are not engaged with any shareholders. We will only engage with the shareholders after filing our applications with the CCI and the stock exchange.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Amit Joshi for closing comments.

Amit Joshi: Thank you everyone for your interest. Should you have any further queries feel free to reach out to us. Thank you again and please do take good care of yourself.



Moderator:

Thank you. On behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.