



Zee Entertainment Enterprises Limited

Q4FY21 Earnings Conference Call
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Edited Transcript

MANAGEMENT:

Mr. Punit Goenka – Managing Director and CEO
Mr. Rohit Gupta – Chief Financial Officer
Mr. Bijal Shah – Head, Investor Relations

Moderator:

Ladies and Gentlemen, Good Day and Welcome to Zee Entertainment Enterprises Limited Q4FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Bijal Shah:

Good day, everyone and Welcome to Zee Entertainment’s 4QFY21 Earnings discussion. Hope you all are well and taking good care of yourself.

We have with us today our MD & CEO – Mr. Punit Goenka, along with our Chief Finance Officer, Mr. Rohit Gupta.



We will start with a brief statement from Mr. Goenka followed by a statement on operating and financial performance by Mr. Gupta. We will subsequently open the floor for questions.

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

We will begin the call now. Over to you, Mr. Goenka.

Punit Goenka:

Thank you, Bijal. Good evening everyone. First and foremost, I hope you and your loved ones are safe and taking good care. These are indeed trying times to say the least. We are all in this together and as a responsible corporate citizen, Zee has been at the forefront in helping the nation fight against this pandemic.

Now let's move ahead with the agenda of today's call. While Rohit will take you all through the operating and financial performance, I would like to update you on the overall business environment and would also like to elaborate on the investment plans which were outlined during the previous call.

As we all have experienced, the last financial year was impacted with the pandemic and the consequent lockdown; that said, the year was also a blend of impact and recovery. Our revenues and operations were significantly impacted during the first half of the financial year. However, the second half witnessed a sharp recovery with the advertisement revenue growth rising close to double digits. At the start of the 2021 the outlook of FY22 was quite promising but the second wave of the pandemic across the country and the consequent lockdown have impacted advertising spends. As a result, even our advertising revenue in the first quarter of FY22 will be impacted to some extent. That said it will be significantly better as compared to first quarter of FY21. The underlying demand for advertising continues to be strong. We are hopeful that part of the lost advertising revenues would be recouped in the subsequent quarters provided the lockdown restrictions do not spill over into the second quarter.

Moving on to our investment plans.

As stated in the previous call, we would be increasing our content investments in FY22. Our approach has been further sharpened with the 5-year business planning exercise we had implemented.



From investment perspective, our focus will be on two key businesses, broadcast and digital.

For the broadcast business, we would like to achieve a clear leadership position, with an ambition to be India's #1 network. This will be achieved through a blend of enhanced content offering, broader channel portfolio and an increase in original programming. In the short term, our focus is to raise the network share in Hindi General Entertainment genre and to recover losses which were incurred in some of the regional markets.

For the digital business - ZEE5, the youngest OTT platform of India has been scaling up well, but we see scope for significant improvement and our team is working round the clock on the same. Over the past few months, we have reworked at the digital strategy and product offering in detail. Our primary focus will be maintained on two aspects in the coming years. First increasing the value proposition of ZEE5 which will be achieved through a combination of compelling content and competitive pricing. We are in the process of creating a very strong line-up of movies and digital originals. As a part of this strategy, ZEE5 released its first mega movie 'Radhe'. ZEE5 will premiere several good movies and original content across languages in the coming year. Additionally, as you might have noted, we have reduced the price-point of our annual pack to Rs. 499. This approach will help us in reducing the customer churn and is in line with our long-term strategy of increasing share of B2C subscribers. The second aspect is to work on enhancing the user experience, where we have been behind the curve. We have drawn up a technology and product roadmap, in order to upgrade this digital platform to the next level. I believe ZEE5 will certainly see an all-round improvement in performance over the next few quarters.

We are also in the process of ramping up our movie production business. The primary objective of scaling up this business is to realise synergies across television, digital, movie distribution and music publishing businesses. All these businesses are dependent on acquisition of different rights of movies. Considering our presence across multiple formats and geographies, we acquire most of the rights of a movie. Our strategy of co-producing movies with renowned film makers allows us to build a strong movie catalogue, that can be monetised across the different businesses which I just mentioned. This strategy allows us to refrain from entering into a bidding war for movie rights on several fronts. As you all must have noted, in the recent years the cost of OTT movie rights has seen a substantial inflation. While our investments in



movie production are going up, the incremental investments, after adjusting for the various rights that we would have bought in any case for our other businesses, is not really that large. I would also like to point out, that the scale-up of movie production business might lag our guidance for FY22, due to the impact of the pandemic.

Considering the opportunities that lay before our two core businesses, we are prioritising content investments in digital and television. Additionally, the prolonged uncertainty due to the pandemic, has made the operating environment quite volatile. In light of these factors, we are re-evaluating our investment in SugarBox and will be scaling it down in the foreseeable future.

We believe this investment phase, which is in line with our ZEE 4.0 approach, would last for a period of around two years. As we had indicated earlier, we would not be able to hold margins at 30% as we invest for future. During this investment phase our EBITDA margins would be around 25%. Once this phase is over, we should move back to 30% margins. During this period, we are targeting free cash generation of around 50% of profit after tax. Also, you must note that the impact of these investments on our margins would have been lesser, had there not been an embargo on subscription price hikes. The loss of more than a year of subscription revenue growth is one of the important reasons for around 5% reduction in our margins, as we make investments. Many of you would remember that at the start of the last decade, when we had embarked upon our journey to invest in regional markets, we had sacrificed margins. However, as those businesses scaled up, not only did the margins return to normal level, but we also saw multiple years of higher than industry revenue and margin growth. We believe that our investments over the next two years will build a solid foundation for the next phase of growth for the Company.

On that note, I would like to handover the call to our CFO, Rohit Gupta to take you all through the operating and financial performance. Rohit?

Rohit Gupta:

Thank you Punit. Before I take you through the operating and financial highlights for the quarter, I hope all you guys are keeping safe. This second wave of COVID has taken pretty much all of us by surprise, both at a personal level as well as from business point of view.

Our business had seen a sharp rebound in the third quarter and that recovery continued in the fourth quarter as well as things on ground became close to normal. This is also visible in our ad growth numbers where we have seen 9% growth on a YoY



basis. The spike we had seen on account of festive season in Q3 normalized, but the demand from advertisers continued to be strong during the last quarter. However, the demand has softened a bit during the current quarter as lockdowns have come into effect in a staggered fashion around the country. But looking at the demand we saw during the fourth quarter, we are confident that as soon as the restrictions ease, we will see a rebound as we had seen last year. We had contingency plans in place for shooting in case lockdowns were implemented and we were able to execute those in Hindi and Marathi markets. These channels have continued with original programming since the lockdown in Maharashtra was announced. However, such mitigation strategy might not work now in some markets as most states have announced lockdowns and there might not be feasible locations to which shoots can be shifted. However, we are trying to minimise the impact of lockdown on our programming. We are happy to spend more on content on account of change of shoot locations, maintaining bio-bubble and taking other safety precautions.

During the quarter, our television network improved its all India viewership share by 70bps to 18.9% and continued to be India's #2 TV entertainment network. While the performance in markets like Bengali, Kannada, Telugu and movies was strong, in markets like Hindi general entertainment, Tamil and Marathi, we believe there is scope for improvement and our teams are working to fix the gaps in content that their research have identified. The new channels which we had launched around 4 quarters ago have already established strong positions in their respective markets.

Now coming to ZEE5. Global MAUs and DAUs for the month of March were 72.6 million and 6.1 million respectively. During the quarter, ZEE5 released 14 original shows and movies. Over the last 12 months, despite the pandemic halting production for around 3 months, ZEE5 has released 75+ original shows and movies. ZEE5 is home to the biggest Indian language digital exclusive content library, and it further enhanced consumer value proposition with the new pricing of the annual pack. We expect that it will enable us to upgrade consumers to the 12-month pack instead of monthly subscriptions. The revenue and EBITDA loss of ZEE5 for the quarter was Rs. 1.1 billion and Rs. 1.6 billion respectively.

The plans of Zee Studios continued to be impacted due to varying degree of restrictions on cinema halls during the quarter. Zee Music Company continued to be the second most subscribed Indian music channel on Youtube and the label witnessed a 50% growth in Youtube video views on a YoY basis.



Now coming to the financial performance for the quarter. Like I had mentioned earlier, domestic advertising revenue grew by 9%. Domestic subscription revenue saw a like to like growth of 5.6% YoY and the EBITDA for the quarter was Rs 5.4bn with a margin of 27.5%.

For the full year FY21, while the first half saw domestic advertising revenue decline by 46%, the second half grew by 8.2%, resulting in a full year decline of 20%. Subscription revenue grew by 6% on a comparable basis, driven primarily by the digital business. The EBITDA for the year was 17.9bn, with a margin of 23.2%.

The cash and treasury investments for the Company was 18.8 bn as on March 31 which includes bank balance of 7.5bn, fixed deposits of 3.4bn, mutual fund investments of 7.4bn and NCDs worth 505mn. Thank you and over to you Bijal.

Bijal Shah: Thank you Rohit. We will now proceed to question and answer session.

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 from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on SugarBox. In Q3 you had said that you will give numbers for FY22 and also you will commence the investment in SugarBox from Q1. Because of the pandemic is there a change in plan or is there a more structural reason? And versus initial plans, what is the current status?

Punit Goenka: Abneesh as I mentioned in my opening remarks, given the current pandemic and the uncertainties around it, we will not be investing very aggressively behind SugarBox. In fact, from our original plan itself it will be scaled down significantly for the foreseeable future.

Abneesh Roy: But Punit versus Q3 to now, the pandemic wave 2 has happened and now wave 2 is coming down also, in say Maharashtra, Delhi. So it is something which will keep happening and it will come down. Wanted to understand is there something, say after 3-4 months, wave 2 and wave 3 and vaccine etc. issues get resolved, then what would be your take on SugarBox. Is there any structural reason, I wanted to understand because wave 2, wave 3 vaccinations are also happening?

Bijal Shah: Hi Abneesh. See at this point of time, I mean first of all the project has been delayed significantly. We were expecting it to start rolling out in February of last year and it



has been delayed and still there will be much more delay, so that is point number one. Secondly, we are still not sure that how long pandemic will last. Let's say today there is, I mean if sometime back we were not expecting wave 2, but wave 2 came in a very bad way, so that is another thing. Third and more important thing is that even after everything stabilizes, how the traffic will build up; traffic assumptions might be very different when we were thinking about the project. Those are the things which need a thorough re-evaluation. If there is anything, if we were to go ahead with investment or do anything, we will let market know at least 6 months in advance. At this point of time what we can say for FY22 very clearly is that we do not see that kind of investment which we were talking about earlier.

Abneesh Roy: My second question is on market share. You said you want to be #1. So want to understand what is the current gap, 18.9% is your share? Second is on channels where you have improved market share so Bengali, Telugu and Kannada; are these more sustainable in nature or more because we have shown some movies or some one-off?

Punit Goenka: I will take the second part first Abneesh. Normally when we do one-offs, I don't account for that when I talk about improvement in market share, and consistently I have been doing that since I have been part of this company. Any channel share improvement that we talk about are always consistent improvements. In terms of the gap today, I think the clear leader is about 24% and we are at about 19%. That's the current gap that exists which we have taken a target to bridge over the period of next 5 years.

Abneesh Roy: One follow up to that. In Hindi, I specially see in top 10 programs our market share is much lower versus the historical past and secondly in Tamil because of the movie channel are we getting a bit more traction in closing that gap versus earlier?

Punit Goenka: Hindi, certainly you are right Abneesh and we are putting plans in place to change those, get more new programming in. Unfortunately, the second wave is not helping. The mitigation plan was only for what is on air and therefore new shows plan has kind of taken a little bit of a hit but hopefully soon we will be activating that as well. The Tamil movie channel has certainly given us more traction in the market because now we have a bouquet offering in the Tamil Nadu market from a subscription point of view. Unfortunately, because of the NTO 2.0, the pricing has not changed because the inclusion of the movie channels is currently not priced and therefore that benefit is not yet flowing to us.



- Abneesh Roy:** On ZEE5 you have done all the right things. The MAU, DAU, minutes, everything is improving. Our revenue has fallen around 8%-9% quarter-on-quarter, if you could explain that. Second, *Radhe* I would say the new innovation which you have done, the Rs. 499 entire year and *Radhe* is free. *Radhe* is actually part of that so *Radhe* is almost free and very aggressive pricing. What is the need? You have been doing all the right stuff but we don't see any meaningful movement in revenue as we speak. Are you saying we are too early in terms of judging and second this kind of experiment of *Radhe* on Rs. 499, from the P&L perspective it will be quite tough such a big budget movie at Rs. 499, 12 months included ZEE5?
- Punit Goenka:** No firstly, *Radhe* has done what we had expected it to do for us. I think the price point of 499 and *Radhe* is not linked to one another, 499 was independent of that. The bundling that we did because this was the first experiment of pay-per-view to be launched in this country, was an innovation that we did and it was quite successful. In terms of numbers, it's been only 7 days since the movie released Abneesh, so difficult to start talking about numbers right now but in my view, we look at movies as a bouquet and as a bouquet of services this will also make money for us and *Radhe* will certainly over a period of time contribute to the bottom line through the various rights that we own. What was your first question?
- Abneesh Roy:** Fall quarter-on-quarter in ZEE5 revenue?
- Punit Goenka:** The fall is largely on account of advertising which is cyclical in nature and also that there is one telco renewal that's pending since third quarter of last year.
- Bijal Shah:** Abneesh, one is that last quarter was festive also so we had actually seen some bump-up which is not there and couple of telco renewals which are still in work in progress and were concluded only in 1Q.
- Moderator:** The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** First one on ad revenue. Do you think you can get to FY20 level of ad revenue in FY22? And can you talk about the trends which you are seeing in March, the extent of disruption which you are seeing in content production etc.? On the ad side what's your outlook?
- Punit Goenka:** We believe that the market was tracking well to reach towards a double-digit growth for FY22 as an industry. Had it not been for the second wave that would have certainly



been achieved. If the wave doesn't continue beyond the first quarter, I still believe the prospects of the market hitting double digit number in growth is possible and as usual we will endeavor to be at the top end if not higher than the market growth in our growth trajectory.

Kunal Vora: Are you talking about double-digit over FY21 because that is a very low base. To get to like say growth over FY20 would require almost (+20%) of growth to?

Punit Goenka: It's actually growth over FY20.

Kunal Vora: Over FY20, yes so you are talking about double-digit over FY20?

Punit Goenka: Yes, FY21 we are not referring to in any of our growth numbers.

Kunal Vora: Second one on international subscription like the number is down to almost 55 crores from 80 crores last year and it used to be 100 crores per quarter couple of years back. Was there some one-off or is it because of customers moving to OTT and content piracy and also how is ZEE5 revenue tracking in international market and how is the reach now?

Rohit Gupta: ZEE5 in international markets has just started and the numbers are small. I would say it has started well and it's been taken up well but the numbers are pretty small to take it up. Kunal can you give me your first question please?

Kunal Vora: On the international subscription revenue, you have seen the number come down to about 55 crores, it was 80 crores last year in same quarter and it used to be 100 crores 2-3 years back. So just the international subscription revenue, how do we look at it? Was there some one-off or is it because of consumers moving to OTT and because of increased content piracy? Wanted to get some sense on international subscription outlook?

Rohit Gupta: See, the drop in international subscription revenues is primarily on account of some accounting. From this quarter we have started recognition of subscription revenues net of certain costs associated with the earning of the same. Accordingly our cost also lower and there is no impact on the EBITDA. Additionally, during the previous quarter, our international subscription revenues were slightly on a higher side and a part of this decline on a QoQ basis can be attributed to that.



Kunal Vora: You have seen 55 crores is the number we should be looking at or it's a number which is adjusted downwards because of some one-off?

Rohit Gupta: Like I said, there's some accounting adjustments that has happened and some netting off from the gross and the net. So on a like-for-like basis it will remain the same and there is no impact on the EBITDA.

Kunal Vora: Lastly on ZEE5 losses, what you indicated seems to be that content spending will increase and pricing is going to be lower. Obviously unless customer additions are being much higher we are looking at higher losses for ZEE5. This year you had for 650-700 crores of loss. How should we look at the FY22, the ZEE5 losses?

Punit Goenka: We are looking at an overall guidance Kunal for the company that I have just given. We would not be looking at giving a guidance for ZEE5 specifically, but it will be in the same range, marginally higher than what we have spent in the last year.

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

Vivekanand S: One is on the subscription side. Punit you mentioned that the NTO 2.0 is hurting your ability to monetize. Any thoughts on where this is progressing because there were some legal challenges with implementing this. If you can help us understand how we should look at the subscription revenue growth? Second question is on the redeemable preference shares. Now this 2021 is probably the last tranche of redeemable preference share. Are we going to tie up any sort of cash commitment to shareholders now after this tranche ends? Any thoughts on cash return would be appreciated?

Punit Goenka: The first part, see the NTO 2.0 is a matter which is still in the court. I think all parties have filed multiple affidavits for an expediting the order because all hearings have been done. It's very hard for me to predict when that will be solved but we are, as an industry, working with TRAI to find an amicable solution to see that this logjam is resolved as soon as possible for the betterment of the industry. I believe this is now even hurting the DPO parts not just the broadcasters. That's where we are on that part. The second question was?

Bijal Shah: Hi Vivekanand, so as you rightly said that last tranche of preference or redemption will happen around end of this year and it is a bit early to talk about our plans, how



we are going to go about distribution of cash. At this point of time, we are working with the policy of 30% of consolidated profit being given as dividend and till the time there is no change that will be the policy which will be followed. This policy is reviewed every year so towards the say 4Q of next year when we would not have any preference payment commitment; that time definitely this factor will be also taken into account to decide whether we should change policy or not. But it is bit early for us to comment at this point in time.

Vivekanand S: One small follow up Punit, thank you for the comments on the NTO. Would it be possible to help us understand how Zee views the subscription market now? You have to assume both scenarios, right? If the legal challenge is not successful then you have to live with it, right? How should one see the subscription market evolve?

Punit Goenka: Currently, until the tariff order legal issue is not resolved, there's not much we can do. To expect any significant growth to come from that revenue stream is highly unlikely. But if this matter is resolved, and I have maintained this always that barring maybe a quarter or two quarters of disruption till the new tariff order settles down, we should be back to our low teens kind of growth number in the subscription revenue.

Moderator: The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: The first one was on your movie production. Last time you talked about you were targeting 35 to 40 movies on an annual basis. Are these plans still intact and if so, could you share what kind of allocation of investments would this part of business see over the next 2 years? And the second question was on programming costs. So, you talked about a double-digit growth that we're expecting on the Ad side versus FY20, but looking at the scenario on the ground today, are you witnessing inflation on the cost front both on the programming side and of course if any thoughts on employee costs inflation as well?

Punit Goenka: Yes. On the content side we do expect inflation to happen because we would want to continue to go on with our regional content, in fact increase original content and therefore there will be the regular inflation that is expected in the market. We also do expect that there will be inflation in manpower costs; apart from just inflation there will be additional manpower costs because we are on a recruitment drive for our digital business. That will take some costs up because that is investing for the future again. The double-digit part on advertising revenue, the thing stems from the



fact that if this lockdown scenario doesn't spill into Q2, I'm quite certain being an optimist that the double-digit figure for the year can be achieved over FY20 not over FY21. On the movie allocation side as I said in my opening remarks, we are buying movies for all of our other verticals in any case, whether it be television, whether it be ZEE5 or Zee Music Company or even our distribution arm of the business. So, our allocation to films is an incremental allocation to produce films. It's not as if we spend money for all those rights plus we spend money to produce movies. So it's an incremental allocation, details of course Bijal and Rohit can share with you offline. Certainly, we will not be hitting the 30-40 films given the current pandemic situation in the current year. But certainly, once that lifts we would endeavor to that because it truly acts like a strategic feeder business for all the verticals of Zee and thereby giving us the advantage of not getting into bidding wars with others who run these as independent verticals, so we don't get into bidding wars with them.

Latika Chopra: Just one follow-up on the programming cost inflation on a like to like basis if you exclude the original content or the incremental content of the digital side, just on the broadcasting side of what kind of like-to-like programming and cost inflation would you anticipate?

Bijal Shah: Like to like cost inflation, as far as per hour of programming is concerned, it is in line with inflation in India. I mean, there will be some improvement in production quality every year so for television maybe 5% to 6% kind of inflation that we see every year. So I don't think that it's changing materially.

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

Yogesh Kirve: Regarding the investment case we talked about the impact on the margin, but could you also talk about in terms of the working capital or inventory or generally the cash-flow conversion that would pan out over the next few years?

Punit Goenka: Yes, cash-flow conversion I have already talked about Yogesh, that will be 50% of the profit after tax will be what will be the minimum free cash generated.

Yogesh Kirve: In terms of the inventory, so can we expect the inventory base to the revenue base to increase going ahead or at least in terms of the ratio is put remain stable?



Bijal Shah: See Yogesh, when we are guiding for 50% kind of free cash conversion, there will be definitely increase somewhere. Now we are not a capital-intensive business and as we say that we are actually scaling down investment also in Sugarbox. So primarily the investments which are happening are in our content businesses and since the investment is happening in content businesses, we will see an increase in inventory. Beyond inventory there is really nothing to call out. Debtors should be in line with the revenue which we report and there is really no other working capital item which is large. So, whatever investment we'll see is in content and since it is in content, we will see increasing inventory for sure.

Yogesh Kirve: Second is regarding, just coming back to this broadcasting business income in terms of content investment. Did we talk about increasing the programming hours even in our broadcasting business as well?

Punit Goenka: Yes Yogesh, we have certain channels where we are not yet running at optimum levels and we will be increasing original hours to reach optimum levels in some of the genres.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities, please go ahead.

Sanjesh Jain: The question is on the ZEE5 MAU and DAU side. So how much of the MAU and DAU which we report come from Telco and how much are really the direct customer via phone. That's the first one and the second one related question, we said that we are expecting few deals with Telco to conclude in Q1. Should we see revenue bump up because of that in the Q1 or we have already recognized based on historical number in this quarter? These are the two questions.

Punit Goenka: Until and unless the deals are done with the Telcos or the partners, we don't recognize revenues and we did not state that the deals will be closed in Q1. We are under negotiation, and as an when the deals closed, that will be announced. So that you will see bump up on the revenues on account of ZEE5 in Q1 for other reasons of performance, whether it be on the back of *Radhe* or the fact that our subscriber base is going on its own through the other content that we are releasing. What was the first question?

Sanjesh Jain: That's about MAU and DAU, how much of that comes from the Telco partnership and how much of them are direct customers?



Bijal Shah: See, large part of MAU is right now on advertising video on demand. Telco partnerships are only for premium content or for subscription service, which is not really that large. So predominantly our MAUs are coming and DAUs are also coming from our own organic growth rather than through Telcos.

Moderator: The next question is from the line of Jaykumar Doshi from Kotak Securities. Please go ahead.

Jaykumar Doshi: Just a book keeping question, receivables have come off by some 530 crores sequentially. Can you give us some indication, what is the expense of reduction in receivables from Dish and Siti and where does it stand as of FY21 end?

Rohit Gupta: You are right, our receivables have come down and even though we have revenue growth, and that is because obviously we have good collections and also a large part of old outstanding from Dish has also come through. So, this year we collected not only the current outstanding from Dish but more than 200 crores. Including some of the collections which came post-closing, more than 200 crores of the old outstanding from Dish has been collected. And we feel that by FY22 Dish would be in line with the other subscription debtors. On Siti, we have been on cash and carry basis and we continue to collect on cash and carry basis.

Jaykumar Doshi: So reasonable to assume that there is absolutely no receivable of Siti anymore and Dish also would have come down to maybe 250 odd crores, because if I recall correctly, it was 450 to 500 crores at the beginning of the year?

Rohit Gupta: Yes, like I said, we have collected overdues of more than 200 crores and the other overdues we will collect it in the current FY22.

Punit Goenka: Just to clarify Jay, Siti receivables are still there but we are running on cash and carry since October. So that doesn't mean the old out standings are over yet, so just to clarify that too.

Moderator: The next question is from the line of Arun Prasath from Spark Capital. Please go ahead.

Arun Prasath: My first question is on advertising revenue. In FY21 we have seen reduction of 20%, largely on account of lockdown and pandemic. But we should have also got some advantage due to including FTA channels back on the DD free dish, so that should



have resulted in some kind of advertisement revenue going up. This number of (- 20%) decline on FY21 is after this FTA revenue inclusion, right?

Pinit Goenka: That's correct.

Bijal Shah: That is right. But basically, there were two other FTA channels which we had, Ganga and Magic, and which actually did extremely well when there was no other FTA channel. This is kid's channel and this is another is Bhojpuri channel, so viewership spiked significantly. Also, our music viewership (on Zing channel which is also on DD Free Dish) spiked during the time we did not have a large broadcaster broadcasting FTA channel. Definitely because of FTA strategy, Anmol and Anmol Cinema have seen an increase in revenue, but on the other hand we have also seen decline in revenue. I can give you offline what exactly is the number, but I really don't think it is going to be any materially different from 20% decline which we have seen. It will not change the de-growth trajectory for the year.

Arun Prasath: The reason is that the guidance of 20% over FY20 where your FY20 base didn't have largely the revenues are not there but in FY21 you'll be there. So how much of this guidance that 20% growth is coming because of this FTA channels are back in the system?

Bijal Shah: I mean, see last year when we were talking in FY20 that time more like 3% to 4% decline in overall ad revenue growth was on account of FTA not being there. It would be in that range or probably lesser because our channel portfolio since then has actually expanded and so overall the impact of FTA to growth and the kind of adjustments you are making maybe in low single digits.

Arun Prasath: The second question is on, is there any structural permanent reduction in cost because of the unit economics or something like that. If we have to assume say normalcy after the pandemic even then this some kind of a permanent reduction in the cost will be there. If yes, can you just quantify some or give some color on that?

Bijal Shah: So there has been certain reduction. I mean, we have been actually working very hard on our fixed costs and we have achieved certain reductions, but just understand the business. I mean our business is where there is production shoots which are actually going on the ground and we have to take much more precautions than we used to take. I mean, probably two years back there was really no need to take any specific precautions for infections and all and now there is COVID. Right now, if you go to our



site every crew member is tested on RT-PCR tests almost regularly, because we have to ensure that bio-bubble is maintained. So, there are certain increases in cost also. So at this point of time really I don't think that a reduction in our overheads would overwhelm those costs. In fact, we might see in the short term some increase in cost per hour basis. But overall, it will be pretty much maintained within a larger programming cost to revenue ratio. So, no really big gain, nor there will be any deterioration.

Arun Prasath:

Just final question from me. Globally we see some trends from some other broadcasters where they feel that people come onto their digital app for catch-up purpose but eventually they start seeing the other original content for the OTT apps. Are you beginning to see such kind of trends with your ZEE5, because you said that largely you are on AVOD. So how is this trend evolving because once you go through the shift probably we can build in more DAUs and MAUs, conversions? How should look at it this trend?

Punit Goenka:

Firstly, the way India operates which has an AVOD and an SVOD strategy, the international markets are tailor made for each market independently. I can tell you that apart from Asia Pacific or the SAARC region and parts of Middle-East, we do not run AVOD service anywhere independent of SVOD. It's only few select markets where AVOD also is available. Markets like Europe, UK, USA where we are yet to launch ZEE5, we'll have only a SVOD service because we are a paid service in those countries. Once we get off the linear platforms, we will be only available on ZEE5. So, we will be running an SVOD service only. Our majority of AVOD customers today are India based, and not largely in the international markets. I would say 90% plus are India and the rest will be outside.

Arun Prasath:

So how is the strength in India, are people willing to go to it as after spending time with your catch-up content or anything like that?

Punit Goenka:

The trend is certainly positive. We are seeing people moving to SVOD service, it's slow but it's certainly heartening to see people who come to the funnel of catch up TV and then move to paid services. Of course, every individual has their own preference of genre of content and as and when you who populate more genres of content you get more traction.

Moderator:

The next question is from the line of Rohith Porti from Marshmallow Capital. Please go ahead.



Rohit Porti: My only question is on ZEE5, so if I see over the last one and a half years what I feel is that we entered e-learning and e-gaming when they were trending, but we don't see any updates on that. We spent a lot of time on launching HiPi our short video platform, but I don't think that's doing well. We are the largest creator of original digital content, but I see us reducing our pricing because I don't think as you said we are not getting as much traction as we want. I know the last year I believe there's been a lot of attrition in that business as well and it seems to be continuing with the last quarter, as far as I understand. So, it doesn't seem like there is clarity on value proposition to the customers, so if you could help us understand over the next 3 to 4 years, what will be the strategy of ZEE5? What is the value proposition you intend to offer to the customer and what are the key metrics that you would suggest that we observed to understand if you're on the right track?

Punit Goenka: So, first and foremost I think your observations are right, but with a slight difference. We never got into e-learning ourselves, we never got into gamification ourselves. These are partner driven and therefore people who approached us to bundle these services in and we created those bundles. Certainly, we saw a lot of our content may not have succeeded or was not for the right audience base that we have seen. But as I said in my last quarter also, we have taken a relook at our entire strategy behind ZEE5. The plan to reduce the pricing Rs. 499 per year was in line with what is happening in the market and therefore you know that's one value proposition. The other value proposition is going to be focused on good quality content in form of films as well as originals across multiple languages that we are going to focus on going forward. You will certainly see that will be what's the value proposition will be. Apart from that we also need to improve our tech platform significantly for us to be really something that we create consumer delight by.

Rohit Porti: Thank you for your response, I made this observation because I've been following you for quite a long time and my observation that in broadcasting we have been far ahead of the competition, how we design our strategy. We targeted regionals before everybody else, we exited sports and focus on movies before everyone else and that's really paid us a lot of dividends, but in ZEE5 we seem to be a more of still doing catch-up as compared to a leading and hence that observation. So could you speak a little more on the metrics that you would suggest that we look at to understand, because the MAUs and DAUs you still providing only on the end quarter monthly number. I understand that the investments will be high and so that revenue and profit numbers are not the right metrics. But if you can have more of an idea of a sticky customer



base or what is the subscription portion of the revenue number and how is that tracking over time? So those would probably help us even further, so if you could elaborate on that a little more that will help.

Punit Goenka: At this point in time, we are not giving those breakups, but give us some time we'll work on your request and come back to you. Also, you will appreciate that none of our competition's data is also available in that detail. So, some of amount of confidentiality we also need to maintain for us not to be exposed.

Rohit Porti: As of now, what would be the best metric to follow to understand if a strategy is working out? So that's the only question I mean that's what I want to understand.

Punit Goenka: I think clearly the MAU, DAU and the revenue number if it's on an upward trajectory should be comfort enough for the time being.

Moderator: The next question is from the line of Salil Gupta from ENAM Holdings. Please go ahead.

Shalin Gupta: Just wanted to check if the company does deliver on double digit growth in FY22, what would be the EBITDA margin that you're expecting?

Punit Goenka: So, unless and until the NTO issues not resolved the EBITDA margin would be about 25%+.

Moderator: The next question is from the line of Jaykumar Doshi from Kotak Securities. Please go ahead.

Jaykumar Doshi: I don't have a question, I just want to make a request. Would it be possible for you to going forward disclose the movie segment performance separately, so that we are able to assess how the return ratios are in the movie production business, maybe once in six months also?

Punit Goenka: Noted Jay, we will come back to you.

Moderator: The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: I just have one question, in the opening remarks we mentioned that the shooting schedule can get upset if other states follow the region wise lockdown strategy. In



that context can you share typically for GEC inventory of how many episodes is already shot and that lies with us at any point in time?

Bijal Shah:

Jinesh, I'll just give you a situation market by market. In Hindi and Marathi, because the lock downs were actually announced in Maharashtra very early, we activated our contingency plan and we had already shifted production and I think that production will continue for one more month from the location where the shoots are going on. So, in Hindi and Marathi at this stage we are not really expecting any disruption in original content. There might be little, but nothing to worry about. That said, as Punit mentioned our new launch plans are on hold and that we'll be able to do launches only once everything opens up, maybe a few days or probably few weeks later. When you go to regional market it is so happening that in whole of South there is kind of lockdown. So, taking actors and crew to some other place is not possible at this point of time because there is really no nearby location. Right now, we might have or we do have original content till say around more or less up to 25th-30th May, depending upon the market and till then we will continue to telecast original episodes. When we go to Bengali market, again we would have around original episodes till 25th. So, if lockdown extends beyond 25th in some of the regional markets, we might have to pull back regional programming for a while.

Punit Goenka:

That is the case with all of our competitors as well, it's not isolated to us.

Jinesh Joshi:

Just one follow-up on this part, I mean has the suspension of IPL had any impact on our inventory fill rate due to any shift in ad dollars, because till now our original programming schedule is pretty much on track during prime time. So, has it impacted our fill rate by any chance?

Punit Goenka:

It did improve yield, fill rates no. Because even despite IPL, our fill rates were pretty decent. But it certainly had a positive impact on our yields, but that was marginal given that the lockdowns were also picking at the same time.

Moderator:

Thank you. Ladies and gentlemen, on behalf of ZEE Entertainment Enterprises Limited, we conclude today's conference. Thank you for joining, you may now disconnect your lines.