Extraordinary Together

June 3, 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 May 26, 2022, informing that the audio recording of the Conference Call with Investors, to discuss the financial results of the Company for the Quarter and financial year ended March 31, 2022, is uploaded on the website of the Company.

Please find enclosed the transcript of the above conference call held on May 26, 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

Zee Entertainment Enterprises Limited
Mumbai

Ashish Agarwal
Chief Compliance Officer & Company Secretary
FCS6669

Encl: As above

Zee Entertainment Enterprises Limited

Q4FY22 Earnings Conference Call
May 26, 2022

Transcript

MANAGEMENT:
Mr. Punit Goenka – Managing Director and CEO
Mr. Rohit Gupta – Chief Financial Officer
Mr. Mahesh Pratap Singh – Head Investor Relations

Moderator: Ladies and Gentlemen, Good Day and Welcome to Q4 FY22 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. Thank you and over to you, Sir!

Mahesh Pratap Singh: Thank you Margaret. Hello, everyone and Welcome to Zee Entertainment's Q4 FY22 Earnings discussion.

We have with us today our Managing Director and CEO – Mr. Punit Goenka along with 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 open the floor for questions and answers session.

Before we get started, I would like to remind everyone that some of the statements made or discussed on today's conference 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 would hand the call over to Mr. Goenka. Thank you.

Punit Goenka: Thank you Mahesh. Good evening, everyone. Thank you for joining us this evening to interact with me and my team members on the company's performance in the final quarter of the financial year 2022.

The media and entertainment sector overall has certainly seen a fair share of ups and downs in FY2022 due to the COVID-19 pandemic. The fourth quarter also witnessed the quick disruption due to a sudden recent resurgence and then decline of the third wave which led to minimal impact on the industry at large.

Before we discuss the company's performance during the quarter, I would like to share a quick update on the proposed merger process. As you would recall the definitive agreements were inked between the two companies that is Zee Entertainment Enterprises Limited and Sony Pictures Networks India on 22nd

December, 2021. The teams have been working independently and are progressing steadily towards seeking the necessary approvals as mandated by law. We have filed a scheme of arrangements between the two entities along with the key document with Bombay stock exchange and national stock exchange in January 2022. We are currently awaiting approval from the stock exchanges. In addition, we also made a pre-filing with the Competition Commission of India in February, 2022. Basis the guidance received on our pre-filing we have made a formal filing with the CCI for the proposed merger in April 2022. In line with prescribed process for the scheme of arrangements, we expect to submit the application to NCLT after receiving the necessary approvals from the stock exchanges. Following which NCLT will call for the shareholder meeting to approve the scheme in due course.

Coming back to our discussion on the company's performance in the last quarter; let me quickly share a brief overview of how the quarter shaped up for us and the industry overall, post which our CFO Rohit Gupta will take you through the financial and operational performance of the company in a granular manner.

From the time the cases have waned, the economy has been seeing spurts of green shoots as a result of improved business activity across the Nation. In Q4, the biggest comeback from the media & entertainment sector has been the movies business, spurred by the complete reopening of cinemas across the country in the latter part of the quarter. At ZEE as well, our studios business performed phenomenally well during the quarter, with films across languages including The Kashmir Files and Valimai, garnering an extremely positive reception at the box office. In fact, The Kashmir Files went on to gross over Rs. 200+ crores at the box office, making it one of the few films to achieve this feat post the impact from the pandemic. As we have discussed in our earlier calls, Zee Studios and the movies business is a very strategic part of our portfolio, and it plays a very synergistic and complimentary role in the success of our linear and digital businesses. As we step into Q1 FY23, some of the finest movie titles will be streamed on ZEE5.

Similarly, a less often talked about, but equally important part of our portfolio is ZEE's music business which has steadily built scale and leadership. Zee Music consistently has maintained a leadership position in new Hindi movies acquisition and is also poised for stellar growth ahead as a result of the rise in video views from platforms like YouTube and Facebook. Zee Music's YouTube subscriptions stand at around 83 million, resulting from a new age catalogue that enjoys very high consumption on these platforms. The label has been adding 1500 to 2000 songs annually and coupled with the strengths drawn from our other businesses, Zee Music has a competitive advantage. The music industry has been on an upswing globally on the back of increased digital revenues which are predictable recurring revenue streams. We are well placed to capture a large part of this value creation opportunity in India.

Switching gears to our linear and digital businesses; advertising revenues remained overshadowed due to several factors that continue to stress the FMCG segment, which is the largest category on TV in terms of ad spends. The sharp rise in inflation coupled with a higher input cost for this segment impacted the marketing spends which in turn had a cascading effect on the sector. Moreover, the ancillary effects from the ongoing conflict between Russia and Ukraine and the larger economic factors around the same, will continue to impact advertising revenues in the near term. That said, we are hopeful of advertising revenues returning to positive growth levels in FY23.

On the linear side, we continue to focus our energies on sharpening our content offerings to reflect the changing consumer preferences, and significant efforts have already been directed towards the key markets including Hindi, Marathi and Tamil. We have strong teams in place for each market, that have been deriving unique solutions to address the concerns and I remain confident in their ability to help regain our share in each of these markets very soon. The embargo in pricing continued to impact the linear subscription revenues, and as a proactive measure to propel the pay TV ecosystem, we have withdrawn our Hindi GECs from Freedish. While this may lead to some short-term impact, we do see it as an accretive step in the long term.

Significant growth from ZEE5 continued to drive the subscription revenues from the digital side. We have been witnessing positive growth in operating and financial metrics consequentially, and we are happy to see our investments to enhance the content and the overall user experience, pay off in this direction. The conversions and engagement rate display the robust growth of the platform, and we aim to keep building on this positive momentum.

Overall, the media & entertainment sector has immense potential to display stronger growth in the year ahead. Companies will be focusing their investments more on a seamless blend between content and technology, to serve consumers effectively across all platforms. Furthermore, with the subsiding fear of the pandemic, we expect minimal business disruption quarter on quarter. As a result, business and consumer spending should revive completely. Amidst this, our aim will always be to steadily grow in the industry across all aspects and we will be investing significantly to support that aspiration.

On that note, I would now like to hand over the call to Rohit, to take you through the finer aspects of the Company's performance during the quarter and provide some colour on FY23. I look forward to engaging with you during the Q&A session later. Over to you Rohit. Thank you.

Rohit Gupta: Thank you Punit.

Welcome everyone on our Q4 earnings call. I will take this opportunity to provide more color on our financial performance for the quarter and full year.

FY22 was overall a healthy year for Zee Entertainment marked by recovery across all key segments. We have continued to invest in the enhancement of our capabilities across content, digital and technology to better serve and delight our customers.

We continue to be India's strong #2 TV entertainment network. The viewership share for the quarter declined marginally by 20 bps to 17.1%. During the quarter we launched 20+ new shows and for full-year 90+ shows. We saw share gain in Zee TV, Zee Telegu, Zee Sarthak as well as our new forays with Punjabi, Bhojpuri and Marathi movies. We are sharpening our content strategy in order to further improve our network share in Hindi, Marathi and Tamil GEC markets with a series of launches planned in FY23.

ZEE5 strategy outlined in previous quarter is well on track and we have started seeing robust growth in operating as well as financial metrics. MAUs and DAUs as on March stands at 104.8 million and 10.5 million respectively with watch time of 214 minutes. This is 80 minutes more than last year and around 13 minutes more than last quarter. Further MAUs has also grown by 44% year-on-year. This strongly affirms our investments in content and technology which will further strengthen the business. During the quarter we released 64 shows and movies including 13 originals. Over the last 12 months despite the COVID wave affecting production ZEE5 has released 45+ originals. For FY22 ZEE5 has clocked the revenue growth of 31% year-on-year, reflecting healthy production and adoption.

Now specifically coming to the financial performance; total revenue for the year grew 14.1% year-on-year to Rs. 81.9 billion. Quarter 4 revenue grew 18.2% year-on-year to Rs. 23.2 billion. The full-year growth is largely driven from higher ad sales and theatrical business.

Ad revenue for the year grew by 17.3% in a year-on-year to Rs. 43.9 billion, Q4 revenue remained flat year-on-year at Rs. 11.2 billion on back of soft performance in key markets.

Subscription revenue for the year remained flat year-on-year at Rs. 32.5 billion. Q4 subscriptions grew by 6.4% year-on-year on the back of double-digit growth in ZEE5. As we have discussed in the past earnings call, embargo on channel pricing due to NTO 2.0, legal challenges continue to impact subscription revenue growth. In the last couple of years, we have also witnessed TV penetration growth being primarily driven by free-to-air services due to pandemic situation. That trend has also been a headwind. That's the reason for the de-growth we have seen in the linear subscription revenues.

Zee Music company saw 57% year-on-year growth in video views highlighting strength of Zee Music catalog and library. YouTube's subscriber base of Zee Music increased to 83 million from 73 million in the last 12 months. Zee Music continues to be #2 music channel.

Coming to the movie business; we saw encouraging response from movie releases, especially Kashmir Files released in last quarter was a blockbuster success. This movie itself clocked a record sale of over 1.25 crores tickets. During the year Zee Studios released 22 movies, 10 in Hindi and 12 in regional. In the quarter to come we have strong pipeline of movies under different stages of production.

Talking of our music and movie business; we are excited with how these two businesses have scaled and now are very meaningful part of our portfolio. As we have discussed in past, we realize significant synergies in both cost and revenue due to our presence across markets and platforms. Content created for market or a platform travel to another increasing its economic value and not only align us to manage the content creation and acquisitions cost better but also enabling cross platform marketing. With our continuous focus on investment in technology platform content in digital and linear business, coupled with increased marketing costs on account of new launches. The full year EBITDA margin is at 21% lower by 280 bps year-on-year.

ZEE5 EBITDA losses for a full year stands at Rs. 7.5 billion and for Quarter 4 FY22 EBITDA losses were at Rs. 1.9 billion.

The exceptional expenses incurred during the quarter are related to three key items. There is a one-time bonus as part of talent retention plan payable in two tranches to the extent of Rs. 733 million, legal expenses of Rs. 73 million in connection with the proposed scheme of arrangement. Towards DSRA liabilities we have estimated and accounted additional amount of Rs. 196 million in Quarter 4 and the corresponding amount for the full year is 527 million.

Also quickly touching upon the receivables from Dish and Siti. As you will recall we had agreed a payment plan with Dish and we've continued to collect as per that schedule. The overall outstanding now is considerably lower and we have been receiving current collection along with receiving the part of the old outstanding. This outstanding has substantially reduced from Rs. 5.8 billion as on March '20 to Rs. 2.4 billion in March '22. On Siti as we had mentioned earlier, we have been recognizing revenues to the extent of collection on a conservative basis. During quarter under review that is Q4, amounts aggregating to Rs. 189 million on a net basis is delayed in receipt and hence not accounted for due to pending legal proceedings. We are confident of resolving this matter soon.

Profit after tax for the grew by 31.7% year-on-year to Rs. 9.6 billion. For the quarter PAT came in at Rs. 1.8 billion.

The cash and treasury investments of the company as of March '22 stood at 13.1 billion. The cash in treasury investment include bank balance of Rs. 8.2 billion, fixed deposit of Rs. 4.5 billion and NCD is worth Rs. 337 million. During FY22 we also redeemed final tranche of preference shares.

As we step in FY23, we are very excited about growth opportunities ahead of us. Media and entertainment industry in India is still in its relatively infancy and is on the cusp of a strong phase of long-term structural growth that by rising consumer demand and improving macro enablers such as digital reach and content accessibility. At Zee we are driving our business to capture a significant share of this growth. We will continue to invest aggressively in FY23 to support our growth ambitions. Our successes so far have given us confidence to be front footed in our investment approach to improve our longer-term relevance and as we scale our investment, we will continue to be very focused on driving returns from these investments with fiscal prudence which has been a DNA of Zee.

With that backdrop we expect FY23 to be a year of investment. This will also be a year where we need to navigate near-term headwinds like inflation that Punit alluded to. We will do our best to balance near term financial profile of the business while making room for longer term investments. Overall while we do expect our margins to be healthy a meaningful recovery from current levels will be more gradual due to combination of these factors. Having said that this does not reset our medium-term margin aspiration or reach that we have spoken about in the past. It just brings forward a lot of investment driven by a desire to build for future and hence pushes our margin recovery a bit far.

Let me talk about some key themes we are navigating in FY23 to provide you better frame to contextualize our FY23 outlook. These themes pertain to investments, largely aligned to turbocharge our digital/OTP ambitions and some of the headwinds we will navigate through FY23 while making these investments.

Number one, Zee has always prided itself on its content DNA and we will aggressively invest in content to create a differentiated value proposition, particularly in digital OTT space. We are increasing our investments with a focus on regional content and scaling up our partnership with global studios, independent creators and premium content production houses across regions. Additionally, we will continue to launch new TV shows across markets to drive share gain in our broadcasting business. As we bring more original content and shows, we will also step up aggressively on marketing to augment our content expansion with brand marketing and broader reach.

Second area of investment is going to be technology and product, with a sharp focus on delivering world-class entertainment we have endeavored to constantly upgrade our product and technology capabilities to deliver unmatched experiences to our consumers globally. We believe there is an opportunity to personalize content and delivery thereby increasing our reach across platforms. To support that ambition, we are making investments through towards broadening and accelerating our digital platform roadmaps and driving superior consumer engagement.

As Punit mentioned we have also consciously rationalized our presence on free-to-air segment to shape and grow our Pay ecosystem and it will have a near term impact on our ad revenues. We believe this will be a more transitionary impact and we will eventually be able to recover this as intended benefits accrue on pay side of the business.

Lastly as all of you would be tracking India's annual retail inflation has inched up towards an 8 year high in April at 7.79% and elevated inflation scenario does create headwinds for us on both revenue and cost front. It causes moderation in ad spend by brands to counter increased costs putting pressure on our ad revenues. We are beginning to see some early signs of that in this quarter. Elevated inflation also impacts our cost adversely across programming, wages, etc. These two inflation induced headwinds on revenue and costs will impact profitability in the near term.

In FY23 from a quarter-on-quarter progression perspective we expect the margin profile to improve as we progress through the year. Q1 will have most immediate impact of inflationary dynamics, free-to-air drop, accelerated investments and some of the seasonal costs it takes like wages increment etc. As revenue scale-up in subsequent quarters we will expect margins to start inching up in the later part of the year. We are not providing a precise margin guidance at this stage given there are many factors in play and impact of some of those macroeconomic ones is difficult to forecast. I will add here that our confidence in medium term margin outlook is strong, and we will provide a more specific update when there is more stability in the operating environment.

Back to you Mahesh.

Mahesh Pratap Singh: Thank you Rohit. We will now proceed to the questions and answer session. I'd request the moderator to open the Q&A queue and take the discussion forward. Over to you Margaret.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivek Subbaraman from Ambit Capital.

Vivek Subbaraman: I have a couple of questions. First one is on the IPL rights tender. There were media reports that highlighted that the rights are being split and of course the bidding is on 12th of June. I have a couple of questions in connection to this, one is since the bidding is happening now at a time when we haven't yet received the $1.5 billion capital injection, does the current balance sheet allow us to bid for IPL at all in the first place? That's the first question. The second one is related to IPL. The second one is, the rights are also being split as per media reports. Any comments on that because there are multiple variants of rights that are being talked about in the media like TV only, TV plus digital rights for the league matches and so on that's question one. The second question really is on the competitive landscape. We are seeing that there are pressures on the TV viewership share, your investments seem to be increasing and you are now seeing that the spending that you will do on the general content and new launches in ZEE5 that will intensify. But there is also more competition coming in the form of the Bodhi tree, RIL investment in Viacom. What are your thoughts on the operating landscape and the capital needs in this business?

Punit Goenka: Your first question on our ability to participate in the IPL tender, on our own, fully we can participate on our own. We have a very healthy balance sheet with zero debt and certainly, we have the qualifications to participate in the tender. In terms of your second question on the deal is being split by genres or by platforms. Yes, you're right. That's what the speculation is, but it doesn't preclude us from bidding for either part or all. We are evaluating our options as to what is the best strategy for the company going forward. You will hear about that shortly after the bidding is over. On the competition landscape, Vivek this sector has been always heavily competitive. It's not something new that we are witnessing. I think Zee has the capability to compete with both deep-pocketed as well as international brands. We have demonstrated that several times over in the past. I don't believe that this time there'll be anything lagging. Also keep in mind that when more content is created more consumption happens and therefore more monetization. So, we welcome competition. It's always keeps us on our toes and makes us do better.

Vivek Subbaraman: That was good. Just one follow up, you say that even now you have room in your balance sheet for bidding and participating in the IPL rights, does this mean that there could be a temporary situation where we might even look to get debt in order to bid for or in order to take on the IPL rights or is that completely ruled out?

Punit Goenka: Vivek, as I said we are studying all our options right now. It's very premature for me to comment on how we'll fund it and all those things. You should know that we don't have to pay any money or not a large sum of money upfront. It's only when the rights start you have to pay for them, until then are only instruments like bank guarantee etc.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Few from my side, first on the ad revenue side. Rohit did mention in his opening remarks that we are looking at a positive FY23 despite all the inflationary situation and despite that we have removed the channels from FTA, so one, What gives us this confidence in such a difficult situation? Number two, why there is a flip-flop on the on the decision of going onto FTA or not going on to FTA? This is a second time we are coming out of it. It will be really helpful if we can provide what's our strategy on FTA on a steady state basis. That's on the ad. On the subscription side, the growth looks quite subdued considering that it also has the revenue coming from ZEE5 as well as the music business, which if I adjust, it looks like the subscription revenue has declining. Is cord cutting started to hurt us in the absence of the ability to take price hike or the embargo on the price? These are the two. On the investment side, Rohit did elaborate on all the avenues we are looking to invest. It will be also really helpful if you can provide what is the quantum of money, we are looking to invest on the linear, non-linear movie, music all those fronts as well as technology? So, these are the initial questions.

Punit Goenka: On the advertising side, it's still early days to say what is going to look like for the industry overall. But we do expect that it will better than the last year. There will be growth, how much it's going to be, we are going to probably give you a better color after Q1 passes. We are also working on that with the advertisers and the agencies to predict what's going to happen in that whole year to come. On the FTA side, it's not a flip-flop strategy Sanjesh because what we did was a strategic call when we exited the first time. But due to the pandemic and due to the degrowth we were seeing in the Pay ecosystem during the pandemic, we looked at as a short-term opportunity to re-enter and try and make up for the loss that was being seen on the advertising front and therefore that was the strategy. And this time again, we were very clear well in advance from the bidding that we will be exiting because we need to arrest the decline of the linear Pay TV ecosystem. And to your last point, yes, you're absolutely right. There is a decline in the linear subscription income. What's the reasons I just told you and this is not just our attempt but the industry's attempt to now start working on creating a healthy Pay ecosystem on the linear side back. On the investments I'll pass it on to Rohit. I'll just have one comment that certainly we will not let our margins deteriorate further. It'll only be stable or improving.

Rohit Gupta: Thanks Punit. Sanjesh, so we have already stepped up our investments in FY22. The point I made in my opening remarks is that these investments will continue in content technology and on the key markets that we have outlined Hindi, Tamil and Marathi.

These investments both in content will continue, we'll also in marketing will continue but like Punit mentioned, we will not let our margins deteriorate for FY23.

Sanjesh Jain: What will be the investment on movies and music put together?

Rohit Gupta: We already said we are scaling up and we have a reasonable, good slate planned for FY23. We expect that now that the cinemas have reopened, we see that this will go on. We expect that we will do more than 20-25 movies in this year as well.

Punit Goenka: The number on the movie side is already issued in the presentation that would have been sent to all of you.

Sanjesh Jain: Just one last bookkeeping question. In this quarter what was the movie revenue and the cost which has been recognized in the P&L?

Rohit Gupta: In Q4FY 22 we had movies like Kashmir Files and few other movies which got released. But the way we recognize revenue is it's part of Zee only. I mean there is no separate disclosure that we have for our movies business because like these movies will also get monetized not only in theatrical but also in digital on the OTT side and on the satellite. We have now Kashmir Files already coming on ZEE5 as well and we are seeing good traction there. They are part of the overall EBITDA number that I have already given to you. And whatever monetization that we see in Quarter 1 that will be reflected in Quarter 1 results.

Sanjesh Jain: Just wanted to understand that movies positively added in this quarter, purely I know there is a future value still left in the movie, but was there a negative contribution or a positive contribution from these movies to the EBITDA for Q4?

Punit Goenka: There is a positive contribution to the EBITDA.

Moderator: The next question is from the line of Jay Doshi from Kodak Securities.

Jay Doshi: I'm sorry if this was addressed in the opening remarks. My question is around merger timeline, back in December-January we were expecting exchange approvals in 2 to 3 months and it's almost 5 months but approvals are still awaited. So, what's essentially delaying the approval from exchanges which should not and does this mean that the original timeline of 8 to 9 months is at risk now and should one be expecting more like 12 months from the day of announcement?

Punit Goenka: Firstly, very difficult for me to comment on what's the reason for the delays. I think the stock exchanges don't give us that answer very easily. But my speculation is that because this is a very large merger there has been significant amount of queries that we have been answering to the stock exchanges. As of two weeks back or 10 days back we have satisfied all of their query and nothing further has come to us. We are hoping that the process should be smoothly done now. I'm still positively inclined towards the 8 to 9 months timeline that we had talked about at that point in time.

Moderator: The next question is from the line of Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar: I have three questions. First question, can Punit give a little bit more color on ad spends in the quarter? I mean between the key spenders like FMCG, auto, internet, BFSI who are the guys who spent, who are the guys who curtailed in a meaningful manner?

Punit Goenka: There is no significant change in this thing ad spending quantum Sachin. FMCG still continues to be the highest spender on television in the category, followed by all the others that you named will be in the range of 7% to 8% each whereas FMCG will be more in the 53%-54% range. That remains pretty much stable as of now. Of course, we've seen a lot of advertising coming from the new age businesses on the digital platforms which generally is low on television but we are starting to see that coming on the digital platforms. Though small still but the advertiser list is expanding as we speak.

Sachin Salgaonkar: We Punit are already 2 months into the next quarter and any color in terms of how things are moving in terms of, is basically the mix is same and are we seeing some massive curtailment across the board?

Punit Goenka: There have been cuts across the board and especially in the FMCG sector. But I can tell you this much that we are tracking the industry numbers and we are pretty much in line with them or ahead of them.

Sachin Salgaonkar: Got it. Second question wanted to understand your thoughts on ZEE5 losses. We've seen some good revenue growth but your losses continued to remain high. We are already seeing companies like Netflix curtailing their aggression and spending. Rohit did talk about aggressive investing by you guys in content. Just wanted to understand how should one look at the ZEE5 losses going ahead?

Punit Goenka: So, as I had said earlier also, this is the peak year for losses for ZEE5. This is going to be the peak investment year. You will see losses go up but after that as revenue scales, you will see losses coming down. We do believe that there is still lot of room left in India for this business and for the Indian diaspora across the world for this business. So, there's a huge room for growth. Therefore, I don't feel the need that we need to start cutting our investments so early in the day

Sachin Salgaonkar: Lastly on the Zee-Sony merger, any risks you see right now for the merger not going through?

Punit Goenka: No, I don't see any risk.

Moderator: The next question from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Two questions, first on ZEE5, with the 750 crores EBITDA loss and 550 odd crores revenues for the full year FY22, can you help us on breakup of the revenue how much is coming from advertisement how much from subscription? And similarly, almost 1300 crores of costs, so broad breakup between the core content and the other overheads.

Punit Goenka: This is highly sensitive information Ankur. We can't share that granular detail so early right now. But let me share with you that the revenue is largely subscription led currently, not so much advertising led. On the cost front, we have three large buckets of cost which is content, marketing and technology. These are the three things that make up the lion's share of the cost.

Ankur Periwal: Will it be fair to say content will be probably 70%+ here, if you can give or maybe +/- 5% is okay?

Punit Goenka: No, I can't give you that number but rest assured that that content is the biggest cost.

Ankur Periwal: Yes. Where I was coming from was, if I look at the subscription revenues, we are largely flattish and Zee Music would have contributed here and obviously ZEE5 would have also contributed here. The cut in subscription is largely led by the loss of subscribers here and given an embargo there probably this trend will continue going ahead. Will that be a fair assumption?

Punit Goenka: Actually, we have early signs to see that the cord cutting has actually slowed down after the GEC channels have come out of the free dish platform and I'm quite hopeful that the resurgence in the pay ecosystem will return once quality content starts to go away from the free dish platform. But you are right that so far, the decline has been because we have been losing subscribers. The good thing is we are not losing subscribers to digital; we are losing subscribers from pay linear to free linear.

Ankur Periwal: Second part here, on your commentary that FY23 EBITDA margins or let's say FY22 EBITDA will be bottoming out here and the margins should improve. Unable to understand the math here because on the revenue side first half will be slightly soft. There will be some impact of FTA. Subscription revenue doesn't look like it's growing significantly. At the same time, your commentary on content investment remains pretty strong. Am I missing something here or is it only the movies business which will be driving the incremental contribution?

Punit Goenka: Ankur, I'm an optimist. While the movies business will drive part of our growth, you know that there is a consultation paper out by TRAI on the NTO. We are looking at that, that needs to be answered by 30th of May. I understand that there could be some lift on the embargo that was put on the NTO and therefore that will also start to translate. We are going to try and make back some of the free-to-air losses on our pay ecosystem since our market share gains. It's a combination of multiple things that make me bullish and that's what we will be targeting.

Ankur Periwal: Lastly if I may, on the content investment side. So, we have OTT wherein obviously we have pretty strong outlook there in terms of content investment. TV again market share stabilizing at 17% but as you mentioned Hindi-Tamil etc. languages Marathi, you'll be investing there. Movies again we are investing and then IPL is also there where we are looking to maybe bid over there as well. How do you prioritize your capital investments here in terms of content?

Punit Goenka: I think, the way you are reading it is that what we are investing in linear today will be significantly increasing that, that's not how to look at it. The overall increase in the linear business investment will be inflationary in nature. It's not that suddenly if I'm producing 500 hours of content last year, I'm going to up that to 1,000 hours of content every week in the coming years. It's not like that is going to double. Our investments in the digital business are already paying us returns while yes, we will be losing money there. The film business, it's a fast rotation working capital business. As you put in the money films release, that also releases a lot of the capital. It's not suddenly capital going and getting stuck for a long period of time. IPL certainly is the big kicker there and we are evaluating what our options are with the right strategies there. Just to clarify when we say investment does not necessarily mean we are going to erode margins.

Ankur Periwal: No, actually where I was coming from was, our working capital has been elevated because of these content investments over the last few years. And it doesn't look like it's going to go down in a hurry. So, which is where I was just seeking your views in terms of how are we looking at?

Punit Goenka: On the content side, especially on the film side, please look at it from this perspective that while on linear business we are having the amortization over so many decades that in the digital business is not even started so far. Therefore, we are not completed the first 5-year cycle. That's why every inventory just keeps getting added until and unless the first 5-year cycle is completed. Thirdly, on the movies business, it has elevated because of the pandemic. As soon as the theaters have opened up, we have started releasing the movies and that inventory will start getting freed up from being in our working capital and start rotating much faster. I do not see that having too much impact but except for digital which will continue to keep going up.

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

Jinesh Joshi: I have a question on our movie acquisition strategy on the digital side. For instance, we have RRR on ZEE5 now and given that this would have been high priced asset for us; how do we analyze the success and failure of such decisions? Basically, what I want to know is that what kind of metrics do we use to calculate ROI of such assets and then internally decide that yes, this has clicked for us or not. So that's the broad question?

Punit Goenka: The three metrics we evaluate this one. One is that how many new subscribers did this piece of content get us, who were not paying for my subscription and have come out to our platform and watch this as a first piece of content because that is our metric to determine, this is the trigger for them to buy the subscription. Second trigger for this thing is of my total subscriber base, how many people consume that content which means that acts as a retention tool for me and third is how many people actually completed the content because it has engaging enough or not, did I make the right purchase, did people come in watch for 15 minutes and leave or did they complete the movie? And that we track over a 7-day period, 14-day period, 21-day period. There are various metrics we track it on.

Jinesh Joshi: Secondly if I recollect in the opening remarks, it was mentioned that we launched about 90+ new shows in the entire year. But if I look at our viewership share it has been on a constant decline over the last three quarters. So, your comments on the acceptance of our content, that is one. Secondly also it was mentioned that because of FTA headwinds our subscription revenue is under pressure. If you can just highlight, I mean during COVID times how many households shifted from pay to FTA and given that we are now out of COVID, are we seeing those subscribers coming back to the pay genre?

Punit Goenka: On the second part, it's still early days because we went off the air only on 1st of April. There will be some lag to see whether those subscribers come back. As I mentioned the uptake of the free DTH has slowed down since the four networks have come out of free dish. That's a positive sign for us. On the first question..?

Rohit Gupta: Was on the network share.

Punit Goenka: The network share when we talk about 90 shows were launched, this doesn't mean 90 new shows. They were replacing some other shows here and we have a metric here also as to what was the earlier show doing and what has the new show achieved in terms of slot ratings etc. I can tell you that 43 of the 90 shows were successes, about 20 odd were moderate successes and yes, 20 odd failed.

Ladies and gentlemen, I have to leave for a flight but Rohit and my team is here to take any further questions. Thank you very much. All the best.

Moderator: The next question is from the line of Karan Taurani from Elara Capital.

Karan Taurani: My first question is basically on ZEE5. One good thing is that the investment into the tech cost which has led to a better UI but any kind of change in the content strategy there because you are making close to 70-80 shows every year but do you have any plans to kind of make four to five marquee shows we can have a good franchise value and a good recall value and probably be very high in terms of budget as well. So, any plans of regional content size for ZEE5?

Rohit Gupta: Yes, Karan so you're right. We have been investing in content and technology in ZEE5 and even in content we have a content strategy where we are looking at user preferences. We are looking at what kind of shows are doing well. We also looking at apart from Hindi investments in regional shows. There are definitely some very marquee content that we plan to bring out in FY23 not only in Hindi but also in regional and I must say that some of our regional shows in past quarter have done well and that has given us the confidence to invest in the regional shows as well. We do have a good slate coming in FY23 for ZEE5.

Karan Taurani: These would be very large marquee shows on the likes of global platforms which are very high in terms of cost, right?

Rohit Gupta: We have a good mix. Some of them will be Category A shows and then we will have obviously Category B and Category C shows as well.

Karan Taurani: My second question is again pertaining to the movie business. So, Zee Studios you pointed out last time around that you've been making close to 20-25 films every year. Any indication you can give in terms of the split, in terms of the number of films, how many of them would be a large budget or a medium small budget kind of film?

Rohit Gupta: I mean theatrical is a significant source of revenue for us and for the Studio business and as cinemas are opening, we are certainly a good for this sector overall. Like I said we will do about 25+ and out of that maybe about six to eight will be large and the balance will be mid to small movies.

Karan Taurani: Don't you think there could be a possibility of change in mix there as well because lot of these small-medium budget kind of films aren't doing well on Box Office, on Hindi and regional both. I think the frequency is going up only for films which are very large-scale in nature. Any kind of change expected there as well?

Rohit Gupta: It also depends on the availability and the timeline and so on because I mean it does take 6 to 9 months for a film production. Yes, we are evaluating a full portfolio approach and like I said we invest because on the flip side if you invest large sums of money and they don't do well, then you have to take that loss as well. We have a good strategy, portfolio strategy where we are looking at a certain percentage of films being on the large side and the balance on the B and C categories and then both in Hindi and regional as well. We had movies in Punjabi and movies in Tamil also which we have launched. Let me tell you one thing Kashmir Files was not a very large investment and it has given us a significant return and like I said it crossed more than Rs. 250 crores. It's not always that only big budget movies are giving us returns. Even small budget movies when they do well give returns as well.

Karan Taurani: That would have been more sort of a one-off basis, the foot fall numbers. That's fine. But third last question would be on the regional genre front I hear. Specifically, you are the leaders as far as regional is concerned in genres like Marathi, you've made very good inroads in terms of Tamil-Telugu. Right now, what we are seeing is that the competitive intensity in regional is growing substantially and players like Star and all are doing phenomenally well because of the aggressive content strategy. Firstly, anything new that you are attempting there to combat competition from Star and secondly players like Sun TV are virtually kind of stable or are losing share in many of the genres like you know, Tamil they are stable but yes Telugu and other genres they are losing shares in South. Anything you can do there to make up or probably gain viewership share over there, in those markets?

Rohit Gupta: Definitely, we have a large focus on these markets like Tamil and Marathi and as you know with our Marathi viewers, we were leaders for about 6 to 7 years and now we have obviously lost a leadership there but of course on regaining leadership in Marathi remains. Even in Tamil like I already mentioned in my opening remarks; there is focus, we are looking at content which is now purposeful for the audience there. Definitely we want to regain our market share in both these key markets. Some of the other markets like Bangla and Kannada and Oriya we are the leaders there. We have been strengthening that as well.

Karan Taurani: The question was basically more to do in terms of content because what happens in these Southern markets is that, there is still lot of big amount of demand for the reality shows and the marquee kind of shows. Again, are you trying to get into that segment because that is the only way you can combat to the likes of Star Vijay?

Rohit Gupta: No, definitely. I mean we are looking at our content as well and last year if you remember we had launched Survivor which was a reality show in Tamil. That was one of the first ones that was launched by Zee. So similarly, like I said we are making many such content changes as are required.

Moderator: The next question is from the line of Yogesh Kirve from B & K Securities.

Yogesh Kirve: If I look at your admin cost was getting structured on the other expenses. That tends to be quite volatile on quarterly basis and this quarter it was quite low, almost similar to the pre-COVID quarters. Any sense for what was balance savings during the quarter and any sort of a ballpark guidance or indication regarding what should be this figure on annualized basis?

Rohit Gupta: I think see more or less the admin cost has remained stable. Last year due to pandemic we had obviously made changes. But I think this year, this quarter specifically there is a CSR provision that we have made which is part of the admin cost. That's why probably there's a phasing that you can see.

Yogesh Kirve: My question here is that most probably non-COVID quarters, the cost used to be Rs. 170 to 200 crores and this quarter is Rs. 146 crores. My question is more on why it was so low during this quarter?

Rohit Gupta: This quarter we had some reversals so there were some provisions for doubtful debts which were made in earlier quarters and because we have collected those money, those reversals have been accounted for and therefore you see them accounted in the admin line. That's why you see the lumpiness in this quarter.

Yogesh Kirve: Any sense regarding the quantum of the amount?

Mahesh Pratap Singh: We're not specifying or commenting on that Yogesh.

Yogesh Kirve: Second question is related to ZEE5, obviously there was a bit of a discussion related to the losses but just wanted to understand how important are the subscriber acquisition costs or the marketing and promotion cost? I understand lot of the costs and the losses will be related to the content investment of specifically related to acquisition cost and promotional are though also significant sources of losses at this point?

Mahesh Pratap Singh: I think a lot of our investments like Rohit alluded is content marketing and technology. Within marketing a lot of investment is actually around promoting specific shows and so on. There's not a whole lot which we invest in customer acquisition and installs and so on. A lot of marketing which we alluded to is to be focused around brand and promoting the shows.

Moderator: The next question is from the line of Arun Prakash from Spark Capital.

Arun Prakash: On the FTA withdrawal so given that the spends from the FMCG category is also lower and now that we are also withdrew from this category and unlikely in the short term that the subscription revenue is going to make up for the loss in the ad revenue from the segment. Is it fair to say that we will be growing lower than the industry?

Mahesh Pratap Singh: The FTA withdrawal has just not been isolated situation to us. Four other leading GECs have channels, have also done the same things. I think this is not specific or isolated case to us.

Rohit Gupta: Let me add here, as we had mentioned earlier in the call, we are tracking how the industry ad revenues are and this quarter as well, we will either be in line with industry or do better than industry average as far as ad revenues are concerned.

Arun Prakash: But the point is, what I am trying to understand is this probably the FTA revenue is the marginal cost of this revenue is probably very low. Does it mean that the margins will be significantly lower than the '22 numbers?

Rohit Gupta: I already mentioned that. So right now, there's no specific guidance on any margins as such but you're right. I mean we have taken a strategic decision to pull away from the Hindi GEC from free-to-air category and so there will be an impact which will be there. But again, we will see. We are looking at these headwinds, we would see how much the impact is. Over the full year, we expect that our margins will not deteriorate than what we have now.

Arun Prakash: Only one additional question on the ZEE5 cost, on the reported cost, how much of that is direct cost and how much is the allocated cost? If you can give some kind of a breakup to that number?

Mahesh Pratap Singh: We not providing details breakup at this stage like Punit alluded given the sensitivity and confidentiality. It suffices to say that a large part of that cost is actually direct.

Moderator: We will take one question from the line of Aditya Chandrasekar from UBS.

Aditya Chandrasekar: Of your 105 odd million MAUs how much would be direct subscribers versus subscribers through Telco deal, any rough percentage?

Rohit Gupta: So, these basically are all total subscribers and we don't actually quite frankly we don't give a split between B2B and B2C but whatever growth we are seeing is happening primarily in our B2C segment.

Aditya Chandrasekar: These are direct subscribers coming into the platform and not through basically Telco kind of plans?

Rohit Gupta: Like I said, the increase is happening more in the direct subscribers.

Mahesh Pratap Singh: Our base has both of those customer segments you alluded to but our growth is largely being driven by subscribers who are coming directly to the platform.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Singh for closing comments.

Mahesh Pratap Singh: Thanks Margaret. Thank you everyone for your interest. We hope all your questions were answered. Should you have any more queries, please feel free to reach out to us. Thank you again for joining us today and we look forward to speaking with you again next quarter. I will hand it over back to you Margaret to close the call.

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.

**Disclaimer: This is a transcription and may contain transcription or contextual errors. The Company takes no responsibility of such errors, although an effort has been made to ensure contextual accuracy and correct any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking*