Extraordinary Together

January 30, 2025

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: Transcript of the conference call

This has reference to our communication dated January 23, 2025 and pursuant to the provisions of Regulation 46(2)(oa)(iii) read with Schedule III of Part A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the transcript of the conference call held on January 23, 2025, on the Company's performance for the quarter and nine months ended December 31, 2024, is attached herewith. The said transcript is also available on Company's website at:

https://assets-prod.zee.com/wp-content/uploads/2025/01/Q3-FY25-Earnings-call-Transcript.pdf

This is for your information and records.

Thanking you,

Yours faithfully,
For Zee Entertainment Enterprises Limited

Ashish Ramesh Agarwal

Digitally signed by Ashish Ramesh Agarwal
DN: c=IN, o=Personal, title=2117, pseudonym=1334468598900485079gGu4B67ly5Cuy, 2.5.4.20=1bae016adfa46bb588a685c7f2771bc2dc417f4500a4a36bf9dcb2b25f0928f6, postalCode=400064, st=Maharashtra, serialNumber=2d484d33b95e6004b8529e3fc750f2413e1a7b7b01ecb532e879129f4a45d565, cn=Ashish Ramesh Agarwal
Date: 2025.01.30 17:51:16 +05'30'

Ashish Agarwal
Company Secretary
FCS6669

Encl: As above

Zee Entertainment Enterprises Limited

Q3 FY'25 EARNINGS CONFERENCE CALL

January 23, 2025

Transcript

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY'25 Earnings Conference Call hosted by Zee Entertainment Enterprises Limited.

As a reminder, all participant lines will be in 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mahesh Pratap Singh – Head of Investor Relations, Zee Entertainment Enterprises Limited. Thank you and over to you, sir.

Mahesh Pratap Singh: Thank you, Sejal.

Hi, everyone. And welcome to our Q3 FY'25 earnings discussion. We have with us today our CEO – Mr. Punit Goenka, along with the Senior Management Team. We will start with opening remarks from Mr. Goenka, followed by commentary on Operating and Financial Performance by Mr. Mukund Galgali – Deputy CEO and CFO. We will subsequently open the floor for questions and answer.

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

Punit Goenka: Thank you Mahesh.

Good evening, everyone! Warm wishes to all of you for a wonderful 2025.

Thank you for joining us this evening to discuss the Company's performance in the third quarter of the financial year 2024-25. Today, I would like to share some macro-level insights about the Company's performance during the quarter and the trends witnessed by the industry. Post this, Mukund will take you through the granular details of our performance and the key numbers.

As you would have noted, the Company's focus during the first three quarters of this fiscal was around strengthening the fundamentals of the business, and pivoting strategies to enhance the performance and profitability levels. We have implemented several action-oriented steps that have translated in our year-on-year margin expansion. The fiscal prudence exercised across the Company has served us well, enabling us to maintain a firm grip on the margin profile and balance sheet. The first phase of our overall strategic roadmap, centred around costs and margins has been successfully executed, and our energies are focused towards boosting growth and performance.

That said, the overall macro-economic environment remains challenging. The green-shoots we witnessed during the beginning of the quarter, did not pick up the required pace to drive a positive growth momentum. This, coupled with the muted spending by FMCG brands in a festive quarter, further slowed the pace of growth for the industry at large. Although there was a marginal uptick in rural recovery, the lacklustre sentiment in urban markets led to weaker demand and impeded significant growth. This in turn, also impacted our advertising revenues during the quarter. However, improving consumption is expected to drive a positive momentum for recovery going forward. We are hopeful that the upcoming Union Budget will encompass pertinent steps by the Hon. Finance Minister, to revive the consumption cycle in order to spur the industry. On the back of these factors, we remain optimistic about a gradual recovery in the new fiscal, that will enable us to capitalize on the increased spending by advertisers.

During the quarter, subscription revenues continued to post healthy growth. In line with the Telecom Regulatory Authority of India's (TRAI) tariff regulations, we have published the new Reference Interconnect Offer (RIO) that reflects the competitive pricing approach adopted by the Company. We expect subscription revenues to continue growing after a couple of quarters of implementation.

ZEE5 has also enabled us to consistently move the needle on subscriptions and margins. We are taking concerted steps to enhance the growth on digital, post a thorough calibration of the cost structure, and we should be able to talk more about that in the coming few quarters.

On the linear side, our language markets continue to maintain a strong foothold and post positive results. We are also witnessing an uptick in the Marathi market, where we have invested significant amount of time and energy over the last few quarters to identify and fill in the required gaps. We are focused towards strengthening our Hindi programming and considerable investments are being made in content to enhance the value for our consumers.

Speaking about our music and movies business, Zee Music Company has maintained healthy profitability and market relevance. However, it was a lean quarter for the movies business. That said, we have key releases lined up during the fourth quarter, and these will reflect in our performance going forward.

At a macro level, we are maintaining a sharp eye on the profitability levels and investing for long-term growth. We have identified the gaps, and our teams are working round the clock to innovate and build solutions that will enhance the Company's competitive advantage in the market.

The Company remains on a firm footing to drive robust growth in the future, with a balanced investment approach. The lateral leadership team structure is enabling the Company to direct concerted efforts towards each business segment, and we remain optimistic about firing on all engines as we move forward.

On that note, I would like to hand over the call to Mukund, to elaborate on the Company's financial and operating metrics during the quarter. I look forward to interacting with you all during the Q&A session later.

Thank you. Over to you Mukund.

Mukund Galgali: Thank you, Punit. Good evening, everyone. And it's great to connect with all of you. I will briefly touch upon some of the Key Financial Highlights during the quarter.

We are pleased with the continued progress in the business as reflected in healthy profitability amidst the challenging macro environment. Q3 FY'25 was a soft quarter for advertising growth, wherein broad consumption slowdown outweighed festive season pickup. While we did see some pick up in October closer to Diwali, the momentum quickly cooled down in November, December.

From our vantage point, the impact of this consumption weakness and resultant FMCG Ad spend slowdown has been more pronounced in the Urban areas and in the Hindi heartland, while South cluster or other language markets are still holding relatively better. As a result, our Ad revenues were up 4% QoQ and still down 8% YoY. We are continuing to look at ways to maximise Ad revenues in this environment and will remain cautious in the near term on the pace of our Ad revenue growth.

Through this phase, the subscription revenue momentum has held us in good stead, it has allowed us to offset the macro-Ad environment led softness in our advertising revenues. We have been able to drive healthy YoY growth in subscription revenues and our nine-months FY'25 subscription revenues are up 8.2%. We have also published, as Punit alluded, the new channel tariff which will help us to continue growth after a couple of quarters of implementation.

On the broadcasting business, the TV industry landscape remains healthy, and the overall industry wide TV viewership has increased by 1.4%. Further, we continue to be a strong #2 entertainment network in India, and we have gained 40 bps share to 16.9% compared to the same period last year. And as Punit mentioned, again, Zee Marathi has shown a consistent progress post our interventions. And Zee Tamil has also gained healthy share on a YoY basis.

On the digital side, ZEE5 has further narrowed its operating losses in this quarter. It's EBITDA loss is lower by Rs 22.6 Cr QoQ & Rs 107.8 Cr YoY basis. While cost structure and profitability has been a key focus area for us in this business, we also continues to make steady progress on usage and engagement KPIs. Both the total number of subscribers and average watch time during this quarter has grown on a YoY basis. ZEE5 YoY revenue growth of 8% is slightly impacted due to a delay in the renewal of a B2B deal, which completed its term in September 2024, and the new commercials are still being discussed.

As we have shared before, in ZEE5 we remain sharply focused on maintaining a balanced cost structure and driving return on investments to sustain long-term growth, and that rigour also applies to how we assess and evaluate each revenue opportunity. We want to secure the right price for our content and digital offering and would not like to give into the short term temptation to chase near term growth on any cost which may undermine our long term monetization potential.

Our original content in ZEE5 continues to resonate well with the viewers. We have released 14 shows and movies during this quarter, which includes seven originals and includes some of them namely Mithya Season 2, Aindham Vedham which is a Southern language show, Despatch, Vedaa, Dharamveer 2 and a few others.

Coming to the movie business, Q3 FY'25 was a lean movie calendar for us as Punit mentioned. And given the nature of movies business, there is always going to be some quarterly peaks and troughs. During this quarter, we released 5 movies, 2 Hindi and 3 regional. which were all distribution deals. And therefore, "Other Sales and

Services" revenues have shown a declined 43% YoY due to lower syndication and leaner movie lineup.

On Music business, Zee Music Company (ZMC) remains #2 music channel with around 160 mn subscribers of YouTube and over 43 bn total video views during the quarter driven by the new-age music catalogue and rich library. Within the music business, our profitability remains fairly healthy. In the near term we are being selective in pursuing growth given the changes the music industry is witnessing, and around a fewer number of streaming players, changing revenue model and higher cost of music rights currently.

Now moving to costs and Profitability of the company, on an overall operating cost declined by 10% YoY due to overall efficient execution, lower programming and technology cost and continued cost optimization in ZEE5. We are also very mindful about balancing our cost optimisation efforts with longer-term investment needs of the business and we are taking a very nuanced approach in this entire exercise. While we have reduced our overall cost and driven efficiencies in specific areas like content, Technology etc, you would also notice that we have invested back in specific areas to strengthen the growth fabric of the business. Our Advertising and publicity expenses, for the quarter and nine-months period are hence higher, reflecting our continued investments in marketing. Our employee expenses have increased on a QoQ basis as we have rolled out wage increments from September.

Effective cost management in a soft advertising environment, has helped us maintain our momentum on profitability with our EBITDA margins up 10 bps QoQ, and up 590 bps YoY. During this quarter, we have also made a provision of Rs 809 mn based on the arbitration outcome related to Margo, the details of which can be found in the notes to accounts in the published results. This is a non-cash impact, but it has adversely impacted our reported net profit.

PAT from continued operations for the quarter came in at Rs 1,636 mn, which shows a robust increase of 207% on a YoY basis, reflecting significant progress in business fundamentals and a streamlined cost base.

On the balance sheet, our focused efforts have strengthened our liquidity and financial position. During Q3FY'25, we have paid Rs 1 per share dividend. The cash & treasury investments as of Dec'24 stood at Rs 17 bn, including Rs 2 bn from FCCB proceeds. The cash & treasury investments include Cash balance of Rs 4.2 bn, FDs of

Rs 7.1 bn and investment in Mutual Funds Rs 5.7 bn. Our content inventory has continued to decline driven by optimised acquisition. Dec'24 Content inventory, advances and deposits were at Rs 69.9 bn, lower by Rs 4.3 bn on YTD basis.

I am also happy to share the progress we have made in our ESG journey and in November'24 we have published our first ESG report highlighting our strong ESG practices and disclosures. This report is available on website of the company, and I would encourage each one of you to look through that. Our ESG progress is also reflecting in our improved 3rd Party External ESG ratings & scores. Going forward, we will continue to accelerate our ESG agenda.

Moving into Q4 FY'25 & next financial year FY'26, having made good strides on margins front, accelerating revenue growth remains our key priority. We feel good about levers in the business to deliver sustained profitability while making room for growth related investments. However, as mentioned earlier, the path of margin expansion now has a higher degree of dependency on growth and operating leverage. Q4 will also see a busier movie calendar and while that should aid the revenue growth, it may also bring some unpredictability on margins depending on the commercial successes of the movies. Having said that, we firmly remain committed to our stated EBITDA margin aspirations by end of FY'26 and believe we will continue to balance the dual objectives of stepping up growth while managing costs very judiciously.

Back to you Mahesh.

Mahesh Pratap Singh: Thanks, Mukund. We can now open the call for questions and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama Wealth and Investment Limited. Please go ahead.

Abneesh Roy: Congrats on the margin expansion. My first question is on the movie production business and music rights business, choosing between the two for you as a Company. So, movie production business in FY'25 has been extremely challenging in terms of Hindi movies. Most have not done well; few sporadic successes are there only. And your latest movie in Q4 also till now has seen very muted response. So, why not reduce the focus on a riskier part of the business and flow that towards say music rights business? You did mention that music rights, you want to be a bit cautious, given the landscape change the music rights are going more expensive, so wanted to understand what is the landscape change, is it that the foreign players are entering the Indian music rights industry more aggressively? Or is it the listed players now getting more aggressive? So, if you could elaborate on these two aspects.

Punit Goenka: Yes, Abneesh. Yes, I think as Mukund mentioned in his opening remarks, we do evaluate the mix between movies and music based on what the return profiles are going to be. So, the risk reward ratio is evaluated on a regular basis on a per content basis as well. So, we do it, but we do have to also look at the fact that the movies business also works as a feeder business for us, and our basic requirement of what we require internally has to be met.

On the music part, yes, as we stated that the music rights are getting a bit aggressive in the market, but from what I see, it's largely from the domestic players itself. I do not see that much aggression yet from the international players, but you never know what may change in the coming future.

Abneesh Roy: But Punit, further elaborating on that, I understand movie production does feed into your own linear TV and OTT, and we have seen now that the movie satellite rights, and TV rights are also correcting because of the consolidation in terms of the number of players, which is a good thing. But on the other hand, if you see the music business, clearly subscription, that path towards paid subscription, that is improving, but still not fully achieved. So, in that context, from a more predictable and viability business, isn't music making more sense for you? I understand the listed music companies now getting more aggressive and they are pure play and it's the main business for them. But your presence and your brand is also very strong in the music business. So, from a viability and predictability, irrespective of whether feeder business or linear TV is there or not, shouldn't you focus more on that also?

Punit Goenka: So, Abneesh, it does not mean that we do not focus on that. It's about capital allocation to which business, how we do it. And we do not take money away from one vertical for the benefit of another vertical. So, rest assured, our focus on the music business will not shift. Of course, we are going to be even more cautious on the Hindi movie segment that you talked about. I think on the language side, the movies are still doing reasonably well. So, we will continue our film production business. How much we invest in which language is something that we evaluate on a monthly and a quarterly basis.

Abneesh Roy : Sir, my second and last question is on revenue acceleration. You have done well on the gross margin, EBITDA margin, good delivery, I would say ahead of expectation.

And you did mention that now the margin improvement will be more a function of revenue acceleration or revenue growth coming back, in terms of at least advertising, subscription you are doing well. So, my question on advertising is essentially two, one is, FMCG, clearly rural is something more recovery will keep happening and urban clearly two more quarters of slowdown is definitely there in terms of FMCG. As a proactive step in terms of rural FMCG advertising, say local advertising or say any other proactive step, are you doing something different to capture the rural recovery? Given urban you can't do much. That is the first part of the question. I have one more follow-on question on advertising.

Punit Goenka: So, if you look at our entire language market, as Mukund talked about in his remarks, it's coming from the function of both, the performance of those language markets plus, given the fact that retail is a very large part of those markets for us. And retail generally does focus a lot more on rural than purely on urban.

Mahesh Pratap Singh: Also, Abneesh, on that question about advertising revenue. I think there are other bits which we are doing in terms of, one, if there's an opportunity to get revenues from other sectors or segments beyond FMCG, that's one. The second thing you would notice in the numbers, and we give you this split as well that, we have also focused, while these are smaller bases, but just gives you a sense of how we are thinking this through, we have also focused very sharply on international Ad sales for that matter. So, if you look at, while the domestic ad sales have been slower, you look at our nine-month FY‘25 international Ad sales YoY is almost up 22%. So, I think what we are trying to do is, as we navigate this space, look at pockets of revenue, Punit alluded to retail, other sectors also if there are markets outside partnerships with some device makers or European markets, international etc. So, everything possible is what we are doing. And our internal assessment suggests that our nine-month blended Ad sales performance even in domestic is ahead of our peer group.

Abneesh Roy: Sir on the advertising two quick follow up, one is, international, there is a slowdown. Everyone is talking about Europe recession, etc. So, is it that you are doing well because of a soft base or something proactive you have done, if you could talk about it?

Second is, your market share in linear TV has expanded, a clear consolidation, the number one player now is part of a big conglomerate with ten other priorities. So, my question specific is, now you are a pure play good number two player in the linear team. And because the other player is part of a conglomerate and they are very big, and now they are sitting at a very strong dominant share, would you see that as a positive? Because as I said, they have other priorities also as a conglomerate and you can always be more of a niche and sharper and faster execution, so I wanted to understand that from a competitive dynamic point of view, from advertising point of view.

Punit Goenka: So, I will answer the first one, Abneesh. If you look at it in the international markets, well, yes, you may consider that the slowdown is happening in certain markets, etc. But keep in mind that we are a niche player in those markets, and therefore impact on us is very miniscule. Therefore, our growth is not only because of soft base, but also because we are going out and targeting specific advertisers that need to go after our diaspora or the diaspora that we address even in markets like South Africa, etc. On the other one, it is too early to comment, Abneesh. I do not think we can discuss every strategy on an open call. Maybe we can take that offline with you.

Abneesh Roy: No more directionally, are you seeing some early signs that competitive pressure is reducing? One is, one player is gone, right, from a four-player market or a three-player market now it is essentially one player lesser, so that clearly is there. Second, any early signs of this are you seeing in terms of any numbers?

Punit Goenka: It's too early to comment, Abneesh. I think maybe next quarter we can talk a little more in depth on that.

Mahesh Pratap Singh: Also, from the context standpoint, Abneesh, for the whole industry it's been a smaller pie to that extent. So, ad sales have not just been declining for us, it's been declining for industry. So, what the analysis or the trend line which you are saying look, is the incremental flow getting consolidated lot more to top two, three players has not really played out, it’s a little bit more reverse situation where the pool has shrunk little bit. So, we will have to wait and see how this plays out. But like you would have seen even in last year, FY’24, our overall ad sales performance was ahead of the peers, despite we having lesser exposure to genres like sports or other people having higher impact properties and so on. So, I think I would only leave it at the point that, look, we are a much more hungry and nimble organization when it really comes to driving this, and that would not change now, we will have to see how the market pans itself out. But our competitiveness has been reflecting in our performance in past, and you will continue to see that as we move forward as well.

Moderator: Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Thank you for the opportunity. My question is on ZEE5. You mentioned that you have seen growth in subscribers. And you also mentioned that the renewal of a B2B deal led to a lower growth. I believe you have taken price hike, right, in at least double digits. Would it be possible to split the growth in these three parts, to make us understand better?

Punit Goenka: Umang, we have not taken any price hike in this quarter.

Umang Mehta: No, I mean, on YoY basis your plans are about Rs. 100 more expensive, right, versus earlier, is that correct?

Punit Goenka: YoY, yes, I think you are right.

Mahesh Pratap Singh: Yes. So, there's some bit of that blended which flows through, Umang. But also keep in mind that year-on-year when you are comparing your mix of customer profile is also very different from B2C to B2B. So, the price rise which you are talking about plays out in B2C part of it, but B2B is more a one-on-one negotiated conversation and so on. So, large part of what you are seeing, the 8% growth could have been higher if the base is like-to-like if you would have had the B2B deal. And the bulk of this, I would say, is a function of usage or higher number of subscribers. Pricing would have been a factor in specifically B2C cohort, but not necessarily a huge factor when you really look at the blended picture.

Umang Mehta: And the second question was on your FCCB. So, if any update on usage, as well as when the next tranche is, if you can help us with anything incremental on that?

Vikas Somani: So, the next tranche is due sometime in August, that's where we are expecting the next tranche to come. And as we have told you in the previous calls also, we are evaluating opportunities where we can deploy, but we are very clear we will only deploy this money when we find opportunities which are value accretive. So, we are still evaluating those, that’s a work in progress.

Umang Mehta: Understood. And sorry, last one on subscription. So, you mentioned that you have taken price hikes, and it could take a couple of quarters for it to reflect. Would it mean that in the mean-time we could see some moderation in subscription growth as base catches up?

Punit Goenka: No, the growth trajectory is already on its way, but the next level of growth may take a couple of quarters to kick in, is what it means.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi: Sir, my question is on the RIO copy that we have filed recently, it appears that in some markets like Hindi, Marathi, Bangla, etc., the bookie prizes have been revised downwards. So, just wanted to know the reason behind it, given the fact that in some of these genres like for example Hindi we launched about three new shows in the last quarter, and even in this quarter's PPT we have some new content come up. Even in Marathi and Bangla recent quarter PPT, in fact , we have some new content coming up. So, basically, this indicates that the monetization potential for these genres is good going ahead given new content is lined up. So, in that context, I mean, why is the pricing being revised downwards?

Punit Goenka: I am not sure where you are getting that the price has been revised downwards.

Jinesh Joshi: I was just comparing the RIO copy that we filed recently with the earlier version.

Punit Goenka: Earlier version as in the one we filed last year?

Jinesh Joshi: Right.

Punit Goenka: Okay, then it could potentially be, a function of penetration versus pricing. And if by lowering the price we get better penetration, that could be the only reason that would have happened. But I would recommend that Mahesh take it up offline with you, because that entire data of that granularity is not available in this room as we speak.

Mahesh Pratap Singh: Yes. And Jinesh, as you look at this, we would encourage you to look at this more as a blended basis because the teams would always take a nuanced call for market-to-market, region-to-region, channel-to-channel, depending on objective on reach versus monetization. And the comments Mukund and Punit made in their opening remarks in terms of as a brand trying to drive sort of a growth rate you saw in past is really the objective. It's not necessarily the question that if I have had nine-month 8% sort of subscription revenue growth, every channel and genre would have given the similar number. There will always be slightly different objective depending on maturity of each region or channel or cluster. But we can discuss this more in detail, but I thought I would leave you that color.

Jinesh Joshi: Sure, we will take this offline. My second question is on the ZEE5 B2B deal. Now if I heard you right, we mentioned that the deal ended in September. And I think we are already four months through from that date. So, just wanted to know what is the probability of renewal come through, and if you could name the telco if possible?

Punit Goenka: Sorry, we cannot name telco, Jinesh. And the probability of that is subject to us getting our right pricing that we want. So, it's about a negotiation, which is a commercial negotiation between two parties that are taking place. As and when that closes, we will disclose that, and you will get more color on that.

Jinesh Joshi: Sure. My last question is on the exceptional charge that we have recorded in this quarter. I mean, I am going through the footnote which says that there is a Rs. 809 million of provisions for receivables. So, does it mean that there is some recovery which is pending? If yes, can you quantify what is the total outstanding amount? And if not, I mean, what does this exactly pertain to?

Mukund Galgali: So, Jinesh, as mentioned in the notes to accounts that there was an arbitration claim which was in process and the claim has not been admitted by the arbitrator. Now this was against a government body and to avoid further litigation and protracted legal proceedings it has been decided, on a conservative basis, and this has been provided in the books of accounts. So, this was a claim receivable under arbitration.

Jinesh Joshi: So, what is the total outstanding amount, has the complete amount we provided?

Mukund Galgali: Yes, 100%.

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

Abhishek Kumar: First question is on, in November the Board had outlined two, three valuation criteria. One of them was a dividend payout of 25% of consolidated PAT. So, I was wondering can that be construed as a formal dividend policy or a formal policy will be rolled out sometime in the near future?

Mukund Galgali: So, Abhishek, the formal dividend policy is already available on our website, and this is the reiteration of our commitment to maintain that.

Abhishek Kumar: So, it already states that we will be paying out 25% of consolidated value, okay.

Mahesh Pratap Singh: And we had skipped dividend in previous year, and this reaffirms our commitment to continue that path, so that's really where this starts.

Abhishek Kumar: The other criteria were around growth in margin for the next four quarters. Will you be able to give a more detail around that? What would be the number that the Board has set for the performance evaluation?

Punit Goenka: So, Abhishek, we had recommended to the Board at the beginning of this financial year itself that by FY'26 we will be targeting to get to 18% to 20% margin. And the Board had approved that. And we are working towards that same objective. On the growth part, it's difficult to say right now given the macroeconomic situation, but quarter-on-quarter we will give you more color.

Abhishek Kumar: Sure. The second question is on ad, very little we can do about the macro environment. But when we are speaking to some of these media buying agencies or FMCG companies, I just wanted to get your view on what are the kind of conversation the FMCG players are talking about reprioritizing their ad budget, given there is some constraint on the brand spend. Is that something they will re-look at when things return? Or they have kind of shifted permanently to other channels? Any color around the conversation that we are having, given the constrained environment that we are in?

Punit Goenka: No, difficult to say that. But my view is that generally with FMCG, once the consumption cycle picks up, they will return with brand advertising as well. Right now, they are constrained with consumption of their own product itself, which is what is causing the lower spending with the media.

Moderator: Thank you. The next question is from the line of Chirag Maroo from Keynote Capital. Please go ahead.

Chirag Maroo: Sir, I have one book-keeping question. I can see that we have almost Rs. 900+ crores, DTA (Deferred tax asset) on books. Just wanted to know that will it be helping us to reduce our future effective tax rate (ETR) going forward, which was around 30% in the last year?

Mukund Galgali: Chirag, so we are constantly monitoring our ETR. And as you can see, during this quarter also it has come down. And we see potential in utilizing the deferred tax assets to keep our ETR lower, yes.

Chirag Maroo: What can be the expected ETR for FY'25?

Mukund Galgali: We cannot give you a number, I mean we can connect offline, but we cannot really disclose any number right now.

Chirag Maroo: Sir second question, I just wanted to understand, as you say that the ad consumption would pick up for FMCG and the ad spends will flow through. Just wanted to know, is there any change in mix of ad spends from the FMCG from television to digital taking place at this moment on a broad basis?

Punit Goenka: Yes, certainly, because they are also driving consumption, right. So, they are going after transaction-based advertising today. So, I do not call it a shift from television to that, but their objective also currently is to get more sales in. And therefore, they are advertising with mediums which, as you rightly said digital which is a transaction based medium. But we are pretty confident that the mass reach that the television platforms will provide to any advertiser, the digital mediums cannot provide it.

Mukund Galgali: And the time spent as well on television.

Chirag Maroo: Fair enough. Sir, last thing from my side. I know you have already mentioned about the arbitration case. Just wanted to know, we had clarity in FY'24 that all the exceptional items, losses are about to end now. And in FY'25 we did not see it coming. Just wanted a clarification from your end that are the exceptional losses which are hampering our bottom line made the provisional or not. Is this over from now and or is there still some exceptional items left to come?

Mahesh Pratap Singh: I will let Mukund chime in, but a lot of what you saw in the previous year in terms of us sort of clearing things like DSRA or potential creditor claims, etc., is all behind us now. At this point in time, barring what you have seen in this quarter, which has come out of a long pending litigation, from an arbitration standpoint, there hasn't been anything in recent times. So, clearly, from a standpoint of as we are moving business forward, it's a fairly focused core business kind of profitability and P&L conversation. You have had a situation where an odd arbitration outcome came which had an implication from an exceptional item standpoint, but we expect a lot less of that. I will let Mukund add anything specific.

Mukund Galgali: I think, so even this claim and the dispute has been reported in our financials earlier as well. It is only that during this quarter it got crystallized. So, this sort of has been called earlier as well. Further, there is a focus to reduce the legal overhang and to prevent any protracted litigation and unexpected outcomes, so that remains an objective.

Chirag Maru: And you have taken the 100% provision for this arbitration case?

Mukund Galgali: That's right.

Chirag Maroo: Last thing from my end, I am able to see that our ad spends have shifted from Rs. 250 crores roughly for a quarter to almost Rs. 300 crores. Is this the new run rate we expect?

Mahesh Pratap Singh: So, generally the number has inched up from a trend line standpoint, Chirag, because we have been investing. And then what happens is, in Q3 you also have a bit of seasonal launches and new shows and all that. So, yes, the trend line or run rate has shifted because while we are driving efficiencies in overall cost structure, we are also mindful that we do not be short invested in business to be able to take advantage of growth. So, yes, the trend line has shifted. There may be some volatility you may see as the seasonality plays out, but generally it's going to be a higher trend line than past.

Mukund Galgali: And just to add, so it will also be dependent on the movie releases, which also has some element of publicity and advertising.

Punit Goenka: But without ex-movies and other things, this is generally the trend line which you should expect.

Moderator: Thank you. The last question is from the line of Akshat from RSPN Ventures. Please go ahead.

Akshat Bairathi: So, my first question is, sir, can you share the status on the arbitration case filed by Star against us in the previous quarter? And my second question will be a book-keeping question, so there has been a reduction in our depreciation this quarter, so can you give us any guidance on the trajectory going forward on depreciation?

Vikas Somani: On the ICC arbitration, the proceedings have begun. Both the sides have made their filings with the court and the arbitrator. But it's still initial days, it's a relatively long drawn process. So, we will keep you updated as and when we progress on that.

Mukund Galgali: And I will take the second one on the depreciation, Akshat, it's an organic reduction. I mean, there is no major shift in our asset profile or the depreciation rate. So, it would be around the same levels.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take that as the last question. I would now like to hand the conference over to Mr. Mahesh Pratap Singh for closing comments.

Mahesh Pratap Singh: Thanks, Sejal. Thank you, everyone. Thanks for joining us today. We hope the conversation was helpful for you to get a better perspective on numbers and address all your questions. If you have any follow-up or questions as you look at numbers even deeply, please feel free to reach out to us. And we look forward to speaking with you soon. Thanks.

Moderator: On behalf of Zee Entertainment Enterprises Limited, that conclude this conference. Thank you for joining us. And you may now disconnect your lines.