Extraordinary Together

August 6, 2024

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 July 31, 2024 and pursuant to the provisions of Regulation 46(2)(oa)(ii) 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 July 31, 2024, on the Company's performance for the quarter ended June 30, 2024, is enclosed herewith. The said transcript is also available on Company's website at:

https://assets.zee.com/wp-content/uploads/2024/08/06105838/Q1-FY25-Earnings-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,
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st=Maharashtra,
serialNumber=2d484d33b95e6004b8529e3fc750f2413e1a7b7b01ecb532e879129f4a45d565, cn=Ashish Ramesh Agarwal
Date: 2024.08.06 12:58:01 +05'30'

Ashish Agarwal
Company Secretary
FCS6669

Encl: As above

Zee Entertainment Enterprises Limited

Q1 FY 25 EARNINGS CONFERENCE CALL

July 31, 2024

Transcript

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Moderator: Ladies and gentlemen, thank you for your patience, and good day, and welcome to Q1 FY '25 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 telephone. 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, Deepika. Hello everyone, and welcome to our Q1 FY '25 Earnings Discussion. Thanks for standing by. We have with us today our Managing Director and CEO, Mr. Punit Goenka, along with the Senior Management Team.

We will start with the opening remarks from Mr. Goenka. Post this, we will subsequently open the floor for questions-and-answers. Mr. Goenka has to leave a bit early today, but the team will stay back for the remainder of the call and take all the questions.

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

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

Punit Goenka: Thank you, Mahesh. Good evening, everyone!

I trust all of you are doing well! Thank you for joining us this evening to discuss the Company's performance in the first quarter of the new fiscal FY24-25. I will take you through the key aspects of our earnings during the quarter, and we can then proceed to the Q&A session.

The maiden quarter of the new financial year commenced with an improving operating performance for the Company. The results of several strategic steps implemented in the previous quarter are being witnessed gradually, and we continue to maintain a sharp focus on Frugality, Optimization and Quality Content across the business. Timely and action-oriented interventions centred around these three key tentpoles, have enabled us to achieve a healthy growth momentum on the margin profile. Compared to the previous quarters, our margins continue to display considerable improvement sequentially, and we aim to drive this positive momentum higher as we move forward into this fiscal.

Over the past few months, we have put in concerted efforts to formulate a strategic and aggressive growth trajectory for the Company, and the fund-raising exercise is a firm step in this direction. We have taken the necessary steps to create a robust financial foundation in-line with our long-term plan of delivering higher performance and enhancing the value-accretive capabilities of the Company, in the interest of all our shareholders.

Coming back to the Company's performance during the quarter, despite seeing some green shoots in the last quarter of the previous fiscal, the advertising revenue growth still remains subdued with rural recovery yet to pick up entirely. In addition to the softness in demand, this quarter was also sports heavy, coupled with general elections, which further took the share away from general entertainment advertising spends. These factors have impacted our advertising revenue during the quarter. However, in this challenging environment, our prudent cost discipline across the business helped offset the headwinds. Our conversations with large FMCG clients indicate the pickup in advertising spends in the second half of this fiscal with the onset of the festive season. That said, we remain cautiously optimistic of the macro-economic environment improving and growth momentum picking up as we move forward in the fiscal. We are encouraged by the schemes and initiatives proposed by the finance minister in the Union Budget announced last week, to help spur demand and boost the rural economic growth rate in the mid to long term.

On the subscription side, the outlook remains steady, and we have continued to benefit from the implementation of the National Tariff order 3.0 (NTO 3.0), which is driving subscription revenue growth. With a conducive policy framework in place, we are hopeful of registering a gradual growth in linear subscription revenues in-line with the inflation in the coming few quarters as well. This, coupled with the steady growth of ZEE5’s subscriptions, is resulting into a balanced and healthy revenue profile from the linear and digital segments.

During the quarter, the TV entertainment viewership across the industry witnessed a marginal impact due to sports and elections. The magnitude of the impact on our network share was much lower than some of our peers during the quarter. Furthermore, in July, we have already re-gained the viewership share and are well placed in our key markets. The underlying fundamentals remain strong, and we continue to invest significant time and energy to enhance our delivery of quality content to further consolidate our viewership share gains.

On the digital front, I had mentioned in the previous quarter that our near-term focus is to achieve a balanced cost structure to drive profitability for the long-term. The teams have put in immense efforts during the quarter to optimize and arrive at a balanced financial profile for ZEE5, and I am pleased to note that we are already on the path to achieve a healthy cost structure for the business, which is evident in the significant reduction in EBITDA loss this quarter. As we progressed in this phase towards our targeted cost objective, the digital business growth rate witnessed a marginal slowdown, but we expect it to rebound in the second half of the year. ZEE5 remains well-positioned in the digital landscape and has seen healthy quarter-on-quarter growth in usage and engagement metrics, underscoring its strong fundamentals. With the platform’s strategic focus on good quality content, language markets, targeted investments and an exciting content line-up, we expect ZEE5’s growth momentum to sustain.

In the Movies and Music businesses, we continue to derive synergistic benefits across our portfolio to enhance the overall contribution to the topline. During the quarter, Zee Studios released films like ‘Maidaan’ and ‘Mr. and Mrs. Mahi’ in Hindi. We believe that both the businesses have been displaying signs of a gradual growth trajectory, enabling the Company to nurture a well-diversified entertainment portfolio.

During the quarter, our EBITDA margin has seen an improvement of 500 basis-points year-on-year, and this is a testimony to our effective cost management in an otherwise challenging operating backdrop. We also witnessed an uptick in Profit After Tax (PAT) from continuing operations during the quarter to Rs. 1,257 million. On the balance sheet, our focused efforts have enabled us to further strengthen our liquidity and financial position. During the quarter, we have generated strong free cash flow, and our content inventory has also continued to decline, driven by optimized acquisition and movie releases.

As the true potential of the Media & Entertainment sector gets unlocked with intensifying competition and the advent of newer revenue streams, we remain guided by our strategic priorities in order to appropriately capitalize on the emerging growth opportunities. We are committed to achieve our targeted aspirations for the future, and our efforts in the subsequent few quarters will be focused towards enhancing our revenue profile with prudence and resilience at the forefront. The action-oriented steps implemented earlier, have resulted in the Company maintaining a firm grip on its costs, and we aim to continue posting a healthy margin improvement rate. As we move forward, we remain optimistic of recovery in the overall macro-economic environment on the back of a good monsoon and an oncoming festive quarter.

On that note, I would like to hand over the session to Mahesh to open the Q&A round. I am also accompanied by Mr. Mukund Galgali, who has recently assumed responsibility of the Finance vertical.

Thank you. Over to you Mahesh!

Mahesh Pratap Singh: Thanks, Mr. Goenka. Before we proceed to the Q&A session, I would like to request everyone to please restrict yourself to a couple of questions. You can always join the queue back. With that, I request the moderator to take the discussion forward for Q&A.

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. Please go ahead.

Abneesh Roy: My first question is on the fundraise. So, a fundraise by TV broadcasting companies is quite rare, so I wanted to understand the deployment, where do you see, and what are the timelines? And what is the thought process behind this in terms of doing it now?

Vikas Somani: So, this fundraise was undertaken to ensure availability of funds which can act as a growth capital for our growth plans, both organic as well as inorganic. As we speak here, the team is currently working on those plans. They are fine graining those plans, and very soon will be ready with our deployment plan. But that is a work in progress.

The idea was to ensure a pool of capital at this stage, so that we are ready not only for the shifting dynamics of the sector, but also the competitive dynamics of the sector which is undergoing change right now. So, that was the idea why we went for this fundraise, wanted to fortify our balance sheet. And very soon we will be ready with our deployment plans also. We have a broad sense of it, but just some more work is left on that front.

Abneesh Roy: And last question will be on overall competitive intensity, if you can comment. And given consolidation is happening between the two large players, and currently regulatory approvals etc. are happening. So, my question is, one year down the line when all approvals come, and most of the current properties go to the joint entity, how do you see costing pressure? How do you see pricing pressure? That would be one.

And second is, because of so much cost-cutting within the Company, if you could comment on the talent pool, how it is, plus how is the morale of the team? Because so many things have happened in the Company in the last one year, the merger got called off, then cost-cutting, now margins are recovering, which is a good thing. Overall, if you could address the HR aspects, that would be useful.

Punit Goenka: Sure Abneesh. So, you are right that a lot has happened in the Company in the last six to eight months. But we are working overtime to make sure that the morale of the organization remains upbeat. Of course, whenever there is this magnitude of correction that happens in the HR side, there will be some level of disappointment and fear that sets in. But as I stated that we are working overtime to ensure that it remains upbeat, and regular communication with the entire organization is taking place. I am personally, in fact, traveling to all the centres to make sure that I meet people on a regular basis to ensure that the organization is still behind them, and we will emerge victorious in this timeline.

Secondly, on the competitive landscape, my view, Abneesh, has always been that we have competed with the largest of the organizations in this media and entertainment market. And by virtue of just two players coming together, while they will have a lot of synergistic benefits, which we also talked about when we were trying to do our merger, does not restrict or make us less capable of competing with them as a joint entity. So, I think me, and my team are pretty confident that they will continue to work on the entire portfolio and deliver on the expectations that you and the shareholders have from us.

And in terms of the team, we have had some churn. As you would have seen, a large part of the churn has happened in the tech centre. A large part of which was due to the fact that the platform has already reached a certain stage of operations, and we think they have become a bit redundant, those people, and therefore it happened. On the television side and other sides, the talent, this thing has been decent, and most of the talent is still with us. And therefore, we are confident on delivery on the business. I hope I have answered your question, Abneesh.

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

Abhishek Kumar: My first question is on fundraise again. I was curious about the FCCB route. Any logic or any rationale for selecting this instrument over any other instrument because it exposes us to foreign currency variations, so any thoughts on this?

Vikas Somani: We went for the FCCB because we wanted a flexibility of drawing in funds over relatively a longer period. As I said, the whole idea was to fortify our balance sheet, and be ready with enough resources at disposal. But we would want to be very prudent in deploying these funds. And FCCB is an instrument which was giving us this flexibility of drawing in or having multiple drawdowns in-line with our deployment plan over a longer period. And that was the reason why we selected this over other instruments. There were other instruments which were giving us flexibility, but there were limitations. At the best, we could have got 18 to 36 months only out there. And that was the reason we went for FCCBs.

Abhishek Kumar: Second question is on business. Punit, the worry is, while we are reducing cost, is there a fine line between cutting the fat and cutting into growth muscle of the Company? We have seen sequential decline in OTT revenue this time, I am not sure if it is seasonal, or it is because we are spending less on content, etc. So, how should we balance margin expansion with our growth aspiration?

Punit Goenka: So, Abhishek, it is a combination of both, what you said. It is a sequential reduction in revenue because of the heavy nature of the events happening during the quarter, like sports and the general elections, which have caused this to happen. As you know, we are a very heavy general entertainment-led network, including our OTT is very general entertainment-led, and that is the reason that has happened. I can truly believe that we have not really cut into the muscle or the bone yet, we have only cut the fat. And if required, once we see that we need to fortify again by getting in talent for the organization, we are capable enough to bring talent back as and when needed, as and when we see the macro-economic situation improve for the Company and for the various verticals.

Mahesh Pratap Singh: Just to add to what Punit mentioned, Abhishek, I think when you specifically look at digital and sequential decline you are referring to, keep in mind that we had a bit of a bump in Q4 because there was IL T20 and some of the other things. So, that really aided the revenue. Also, as Punit alluded in his opening remarks, even sequentially we have seen the number of paying subscribers, the engagement, etc., has gone up. So, it is not something we are structurally concerned about from the health of business standpoint. It is just a phase, like we alluded a couple of quarters back, we expect H1 to be soft because at this point in time, our priority is to get the unit economics and cost-base right. But as we go into the back end of the year, we are hopeful and confident that the growth will pick up even in the digital side of things. It is just a conscious choice we have made. And internal of the business in terms of both subscribers and engagement, it remains very healthy.

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

Jinesh Joshi: Sir, in the ZEE5 business, we have seen a considerable reduction in EBITDA losses. So, where exactly have we seen the rationalization come through? I mean, apart from the manpower cost, which you mentioned, has some bit of rationalization also happened on the content, technology, or marketing side? And if you can comment, how scalable is this?

And also, a related follow-up is that, on the back of lower losses, we have also seen that growth has slowed down a bit. I obviously refer to the comment in which you mentioned that backended the growth will be better. But is the digital business expected to see some kind of a growth reset to ensure a reduction in losses?

Punit Goenka: Jinesh, I will take the second part first. As I just mentioned to Abhishek that this is also seasonal in nature because of the events that were happening like sports and the general election, etc. That is the reason you have seen some slowdown. And what even Mahesh was saying earlier that, in Q4 we have sporting properties, and we have events like Zee Cine Awards, etc., on our network, which aid the level of growth for Q4. I would not read too much into that as such.

In terms of the cost that you talked about on the digital business, it has largely come on the manpower side, which is also from the tech centre. And then marketing, based on whatever the needs are on the content that we are offering, and it is done on that basis. We have not taken the thing to cut the content requirement for ZEE5, but we are going to optimize the content requirement for ZEE5. That is what we are trying to do.

Jinesh Joshi: And just one last question from my side. Has a full rationalization on the employee cost already happened? Because if I look at our 1Q number, the employee cost is down by about 13% to Rs. 225 crores. So, is it expected to kind of rise a bit in the second half, or has full rationalization already happened?

Punit Goenka: The largest part of the rationalization in terms of people has already happened. In terms of cost, I will ask Mukund to step in and respond to that.

Mukund Galgali: Can you repeat the question, please, on the cost?

Jinesh Joshi: So, my question was, on the employee cost side, has full rationalization already happened? Or are we going to see some kind of increase on the second half side, given the fact that we are expecting some back-ended recovery on the top-line product?

Mukund Galgali: So, as Punit mentioned, a large part of the restructuring has been achieved. And we will always focus on maintaining an optimal structure to suit the business requirements, which will be an ongoing exercise. But having said that, a large part of the exercise is already achieved.

Mahesh Pratap Singh: Jinesh, just one last point. You also made a comment in your previous question about the sustenance of ZEE5 EBITDA reduction to some extent. And while Punit covered it, just to sum it up, when you think of ZEE5 trajectory from here on, there are two phases to think of. There is still some bit of room which is left in the cost structure. And then the second phase starts, which is really the operating leverage growth-driven phase as the revenue accelerates back.

So, that is the kind of two levers as we think of. And that is where we believe that there is still going to be room to further drive improvement in this line item. Be prepared, like we guided you in the past as well, for some quarter-on-quarter volatility depending on how we respond to certain seasonal factors. But we believe that there is still room for us to further drive improvement in ZEE5 when you really take a medium to long-term view of cost structure.

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

Umang Mehta: Congratulations on reducing ZEE5 losses. My question was on the core business. So, if we exclude the ZEE5 losses, it seems like the core business EBITDA has declined by 10%. While I understand ad growth was negative, was there any other element as well which led to this decline?

Mahesh Pratap Singh: So, there are two parts there, Umang, as you think this through. One, as you rightly alluded, linear business is quite exposed to operating leverage sensitivity around ad revenue, and that flows through. The second bit is a bit of a mix. I think when you exclude digital, you are basically looking at traditional business which just does not have linear, it also has movies. And movies have, depending on how they flow through, over their life cycle, they make healthy margin, but for a period, depending on how you account for them, theatrical, etc., could cause volatility.

So, that is really what has happened, which is why the picture gets a bit muddled. But it is not something which is structurally different or structurally something which has deteriorated in linear. And like Punit alluded, our July viewership share is actually quite healthy, and things are looking quite positive. Of course, the ad revenue sensitivity plays out and then there is a bit of a mix change because of linear and movies.

Umang Mehta: And the second one was on the FCCB. So, given that you have received approval from RBI, the understanding was that you would have to give some drawdown schedule to them. So, broadly, could you share some details like the deployment of funds, the drawdown schedule, minimum lock-in to exercise the call option and the end-use of funds?

Vikas Somani: Yes. On that, just give us some time. As we have said in the earlier part of this call, the team is working and fine graining that particular plan of having the drawdown schedule finalized. So, just give us some more time, we are working on it. We have quite a broad sense of where the opportunities are, and we have kind of ear-pocketed those areas. But we will need just a couple of days more to finalize the deployment schedule.

Umang Mehta: But just one clarification. On end-use, there is no restriction in terms of RBI norms on ECBs for you to acquire any Company, right? Just clarifying that because it seems like there is some regulation on ECB, but I am not sure about FCCB.

Mahesh Pratap Singh: The FCCBs are governed in the same regulatory framework in a way, Umang. So, ECB guidelines do apply. To that extent, yes. Whatever the ECB framework says, we will have to operate within the realm of that framework, and regulatory guidelines.

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

Arun Prasath: My first question is, again, once again touching upon this competitive intensity. So, Punit, you mentioned how you are prepared. So, competition, especially the bigger one that we are talking about can basically hurt you on three avenues, one is on the advertising, they can reduce the rates, or they can dominate or they can play more efficiently on distribution, and third is on the content and talent. Out of these three, which one you are most worried about actually? Obviously, you will have confidence to tackle all this, but according to you, which one do you think they can play bigger in any of these avenues?

Mahesh Pratap Singh: Arun, Mahesh here. I will take this. Punit has just stepped out. So, look, I think between the three, we of course watch and study everything, but there is nothing we would lose sleep over, or be overly concerned about. Let us take them one by one. Ad rate. Ad rate is a function of viewership. At the end of the day, if you have the viewership, you will get your corresponding rate and you have your pockets of strength in terms of general entertainment, in terms of specific regional languages. So, it really is a very micro conversation channel-to-channel, genre-to-genre, language-to-language. And we are quite confident that the viewership share we have and the relevance we have in those markets, we will get our share of ad revenue. And you look back in your channel checks, in market channel checks, we have always commanded revenue share, ahead of viewership share to that extent. That has really been the history, and that has really come because the construction of the viewership share is very relevant in terms of market-to-market, prime time and so on. So, that on the ad share.

On the distribution, it is a fair market for everyone. That is equal playing field. And to that extent, we have trust in regulatory strength and oversight that this will remain a fair playing field in that sense. So, that, again, is something about which we are not overly concerned.

And then the third question you asked about talent and content. Talent, Punit addressed in detail when he responded to Abneesh's question. But on content, again, it really is genre-to-genre. We do not really compete aggressively in, let us say, sports or high budget ticket movies and so on, so forth. And if someone wants to be aggressive in that market, it really does not hurt us. But when it really comes to making general entertainment across Hindi, across different genres, it's something our core strength, and we think within that ecosystem, given the deep relationships we have with producers, with content ecosystem, the ability to having done this over 20 years at a very frugal cost structure will keep us in very good stead.

So, yes, we are watchful about competition. And regardless of this outcome, we have been watchful about competition for last 20 years as we run the business. But it is not something about which we are overly concerned. Of course, we will have to see as the competitive intensity unfolds and respond to it if there is something which is really alarming, but that is really what our initial view is.

Arun Prasath: Mahesh, I think from what you have said, I can infer is that distribution is where probably you will have a tough fight. But the fundraise does not solve or even help you in fighting in that avenue. So, once again tying back to the fundraise, it is not very clear how the three problems, the three avenues, how the fundraise will solve any of this issue. Maybe it will create a buffer. But beyond that, any expectation from the fundraise, how it will help you in addressing these issues?

Mahesh Pratap Singh: No, it is not necessarily true, Arun. So, take an example of fundraise and take an example of the second point you made about distribution. If you take a view and deploy some of the funds a lot more on the digital side of it, actually in digital, you short circuit the distribution altogether, right? Because it allows you to go to a consumer directly, unlike what the linear world did it. So, it is not necessarily true that you cannot really make, like I said, you cannot really make it micro battle sector-to-sector and compete with it.

Arun Prasath: Secondly, on the ZEE5 you mentioned, the sequential reduction is seasonal. But unless and until, our revenue mix is balanced between ad and subscription. The seasonally it should not impact us, right? So, are we saying our mix is much more balanced instead of subscription maybe?

Mahesh Pratap Singh: Yes. I mean, when you say balanced, you are implying 50%-50%. I would not give you the number. But I would only leave it with saying, look, advertising is a reasonable part of the portfolio to that extent. And IL T20 is a decent property. So, some of those factors could cause volatility, that is one. And keep in mind that also every quarter-on-quarter your mix changes, not just between AVOD and SVOD, which you alluded to. It could also change between customer mix between B2B, B2C, and all of this. So, there are multiple factors which play out. And given you are talking of much smaller base, that kind of volatility of low-single-digit kind of swings can come in on a sequential basis.

Arun Prasath: And just last clarification, are most of the subscriber base in the annual plan or a monthly plan?

Mahesh Pratap Singh: Annual plan.

Moderator: Thank you. The next question is from the line of Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: Congrats on your upcoming performance. So, I had two questions. One was on the regional genre performance. So, of course, you will see acceleration in terms of ad revenue during the festive season. But do you also foresee potential market share gain in the regional genre? I mean, what is the update there in terms of competitive intensity, and where do you stand in the larger regional genres like Tamil, Telugu, and the smaller ones like in the Marathi, Bangla, Malayalam?

Mahesh Pratap Singh: So, I think we have had decent momentum in regional markets, Karan, like we have spoken. Historically, we have spoken, Marathi we were focusing on, and Marathi has been consistently building up on that strength as we look. Tamil had recovered as well, and sort of solidifying its position. So, generally in, I would say the portfolio, there are bright spots in regional markets. There will always be a market which will go through a cycle, but beyond that we are well-positioned in most of those regional markets to take advantage of festive spending coming along.

And like Punit alluded, our July share already seems very encouraging, and September, October, as you head into festive season, we feel quite good about it across the portfolio. And that applies to regional markets as well. And we continue to focus on each market in a very targeted manner in terms of making content changes or distribution adjustments, and so on and so forth. So, feel good about where the setup is heading into festive season across the regional portfolio as well.

Karan Taurani: And in terms of ad revenue, not asking for any kind of guidance, but if you look at the other traditional mediums like print, other put together, they have seen a big fillip because of election. And somewhere they are ahead as compared to pre-COVID in terms of absolute number. TV is one segment which has kind of seen a struggling phase, and specifically broadcasters in the GEC side. So, say on the near term here, the medium-term basis, what is the kind of ad revenue that you would expect in the steady state for the linear TV business? Of course, digital will be separate, but for the linear TV side is it mid-single-digit, high-single-digit? What is the kind of ad revenue that one should consider?

Mahesh Pratap Singh: Karan, it's difficult to put a number, but like we have said before, we strongly believe that there's still a reasonable headroom for the growth on the linear side of portfolios, given that there is still a fair bit of brand building which is happening from large FMCG companies. Today, the kind of reach TV provides with a 750 million plus, 800 million kind of reach versus, let us say any digital avenue, makes TV very relevant in the brand building and overall spending.

So, to that extent, when you layer that kind of reach advantage, and layer the relative penetration and cost of ownership in this country, we think there is headroom for the TV revenues to grow at a healthy pace. Given where we are coming from, I would not really put a number to it in terms of mid-single-digit, high single-digit, etc. But we think wherever the industry growth is, given the kind of work we have done on our sort of viewership share, we would sort of continue to grow ahead of the market in foreseeable future.

Moderator: Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Mahesh, can you talk about the distribution industry landscape and how it is changing? How many cable and DTH subscribers do we have at the industry level now? How many have shifted to free dish? And how is your linear paying subscriber base trending?

Mahesh Pratap Singh: So, Kunal, I mean, the numbers would vary a little bit. We will give you a high-level sense of it. I am requesting Vikas to come in and address that.

Vikas Somani: So, you talked about, let me start with the free dish. So, they are on, given any report, there are close to around 45 million free dish subscribers today. That is the FTA universe today. Over and above, there would be close to around 120 million to 130 million paid subscribers. So, this is the universe which we are looking at. There is still around a pretty significant chunk of TV-dark homes today, which are yet to be converted into TV. Now, we need to see whether the graduation happens through TV and then to connected TVs, or this straightaway jump to connected TVs. That is something which every broadcaster is working on today. But that is a general sense of how the subscribers in this country are stacked up.

Kunal Vora: And how about your customer base, paying customer base on the website, how many off 120 million, 130 million are paying right now?

Vikas Somani: See, our reach in almost all the major channels which we broadcast is pretty much in line with all the other major broadcasters. So, there, it would be fair to say that we do not have a reach problem. It varies from channel to channel, but thematically or if I need to make an overarching statement, pretty much the reach is more than satisfactory for all our major channels.

Kunal Vora: And second is on free dish, this number used to be about 20 million, maybe four, five years back, it is now 45 million. The number seems to be increasing. How are you looking to address it? Because we have seen over the years many flip-flops, you were on free dish, removed channels from free dish, but what is your strategy now to monetize your content on the free dish side?

Mahesh Pratap Singh: So, I think we have been out of this for last more than couple of years now, Kunal. And I think we have been consistent in what we have said, look, our focus at this point in time is to strengthen and grow Pay TV ecosystem. Because in our belief, the sort of payback, what you get is much higher on the Pay TV ecosystem side of things. And it is something which largely major broadcasters have sort of also been, sort of followed the similar strategy in the last two, two and a half years.

Now, even on the free dish, you look at the last few quarters, that number has sort of stagnated in that sort of range. We continue to monitor this on an ongoing basis, so from a strategy standpoint it is not something we have turned a blind eye on, or we have parked it forever. But at this point in time, our energies are really focused on growing the Pay TV ecosystem and taking our share out of that.

Kunal Vora: And lastly, on ZEE5, what should be the trajectory of losses from here? I mean, we have seen a significant like, let us say, reduction in losses. But is there a path to profitability? How many years might take to break even, and like what kind of improvements can we expect on an annual basis from here?

Mahesh Pratap Singh: Look, Kunal, we are not giving any guidance from a break-even standpoint. But like we had alluded four quarters back, we alluded that ZEE5 is already at its peak cost structure. And we have backed that and demonstrated that quarter-after-quarter, as we have got the losses lowered. With our vantage point where we sit, we think, as you look out from a longer-term standpoint, and what I mean by longer-term is not just quarter-on-quarter, but if you look out let us say from where we are to where we would be three, four quarters out, and where we would be another three, four quarters out, you will see this number continue to sort of trend down.

We would keep some flexibility. The only reason we are not providing the guidance here is we want to keep some flexibility to be able to respond depending on how the competitive intensity plays out, depending on how our growth versus profitability objectives align, to be able to reinvest in certain areas a little bit more aggressively and so on and so forth. But it suffices to say that with where you are, the kind of reduction you have seen in this quarter is, one, it is sustainable. And second, from a directional standpoint, if anything, you should work with an assumption that medium to longer term that loss number would continue to trend down. And I will let Mukund add more flavour.

Mukund Galgali: So, Kunal, I would just like to add to what Mahesh said that ZEE5 has positioned itself in terms of a niche content offering. And as far as content goes, it has sort of established itself as providing a sort of kind of content which it is unique. And we will continue to, while the costs will trend downward, we will continue to invest wherever required, if there is adequate monetization opportunity. And that will be a tactical call taken from time to time.

Kunal Vora: And as you look to lower losses from here, do you see a higher opportunity coming from increase in revenue or is there a potential to further reduce cost?

Mukund Galgali: I mean, our focus will be, of course, to look at expanding our revenue. And while we will also keep a close watch on the costs as we go forward.

Moderator: Thank you very much. The next question is from the line of Sameer Deshpande from Fair Deal Investments. Please go ahead.

Sameer Deshpande: Congratulations on a good set of numbers. And despite a cautious commentary in Q4, we really did well. And the good thing is, you mentioned the operating losses of ZEE5 which have been curtailed significantly. And going forward, they are also sustainable. So, that is definitely a good thing going forward in improving our operating margins as per our targets. I have one question regarding the notes on accounts, note number eight, where there was an Investigation Committee which was appointed, independent investigation committee under the Chairmanship of former Judge of Allahabad High Court. So, have they completed the investigation?

Mukund Galgali: Mr. Deshpande, the Committee is in the process of completing their work. I mean, they have appointed experts to review, and that work is on. And as soon as it is completed and placed before the Board, it will be made available, and announced.

Sameer Deshpande: Sir, but I think it is about now about six to seven months. It was in February we had. So, it is almost nearing completion now?

Mukund Galgali: It is at an advanced stage, Mr. Deshpande. At the moment, we can confirm that.

Sameer Deshpande: And regarding the fundraise, as you mentioned that the things are yet to be, terms, etc. is not yet disclosed. And it will be done in tranches as and when you feel there are opportunities. So, we are not going to raise the money upfront, maybe Rs. 1,000 crores odd, etc., because we already have some Rs. 1,300 crores of cash. So, any fundraise at this point is not necessary unless there is any inorganic opportunity or any big outflow. Is that correct?

Mahesh Pratap Singh: So, I think, Mr. Deshpande, yes, I mean, without getting into specifics it is correct to presume that yes, like you said, we would not really be getting the money upfront at this point without a clear line of sight. And that was one of the considerations which went into what is the best way to structure the fundraise and so on. So, yes, it will be in tranches like you said.

Sameer Deshpande: And the last question is on subscription rates. Under I guess this NTO 3.0, we were not allowed to raise under bouquet etc. So, there is something in the pipeline which is expected to allow us to raise our subscription to levels we want. Is there any such proposal before TRAI?

Mahesh Pratap Singh: Like we have alluded before, now the policy framework is being quite conducive in terms of how we think of pricing. Of course, heading into the election, we had sort of held up some of the price increases, which we are now starting to implement back and so forth. So, that is really where, what Punit mentioned in his opening remarks, that we think linear subscription would continue to sort of grow at an inflation linked kind of pace as we go forward. That really is a function of us taking periodic sort of price increases to offset our cost from an inflation standpoint.

Sameer Deshpande: That would be a much-needed respite because the pricing has been controlled for a substantially longer period, so that should help us also increase our margins.

Mahesh Pratap Singh: Sure, yes. And as we make those considerations, we will also balance both pricing and churn objectives, because you will have to look at effectively. So, that is really the balancing act we play as we make those choices, Mr. Deshpande.

Moderator: Thank you very much. Ladies and gentlemen, I now hand the conference over to Mr. Mahesh Pratap Singh, Head of Investor Relations, for closing comments.

Mahesh Pratap Singh: Thank you, everyone, for your interest and thanks for joining us today. Should you have any further queries, or if your question was unanswered, please feel free to reach out to us. We will be happy to engage. Thank you again and look forward to speaking to you again soon next quarter.

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