



Movies • Broadcasting • Television • Interactive

## UTV Software Communications Limited

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**EARNINGS RELEASE**  
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**FOR THE QUARTER ENDED JUN 30, 2007**

### **UTV's Consolidated Results for 1QFY2008 as compared to 1QFY2007**

– <b>Total revenues</b>	– <b>Rs 571 million, up by 9%</b>
– <b>EBITDA</b>	– <b>Rs 129 million, up by 180%</b>
– <b>Net Profit</b>	– <b>Rs 91 million, up by 168%</b>

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- **UTV Motion Pictures PLC, a newly incorporated subsidiary, housing the movies business floated on London's AIM Stock Exchange raising USD 70 million for a 23% dilution. UTV Software Communications Limited owns 77% of the subsidiary**
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*Mumbai, India; July 27, 2007* – UTV Software Communications Limited (UTVSOF.BO, UTVSOF.NS) today announced its results for the quarter ended June 30, 2007. Consolidated revenue of the Company reported a growth of 9% at Rs 571 million with the EBITDA and Net profit growing at 180% and 168% respectively as compared to the same quarter last fiscal. The surge in profit margins is largely contributed by the gaming business, which has been integrated in the Company from this quarter as well as our Broadcast activity having a positive impact on our TV Production business.

The Company has consolidated financials of *UTV-US, UTV-UK, UTV-IOM* and its indirect subsidiaries *Ignition Entertainment Limited* and *UTV-Mauritius*. The Board of Directors in its meeting held today, has taken on record the un-audited consolidated financial results of *UTV Software Communications Limited* and its subsidiaries.

*Mr. Ronnie Screwvala*, CEO of the Company said, "This is the beginning of a very high growth phase for UTV. Over the last year we have been working to re-invent our business model so as to be at the top end of the value chain as well as have leadership or pioneering positions in each of our segments and I believe we have achieved this well."

"Our Movie business has attained top brand recall both in India and globally due to the content we have focused on and this year we see revenues and EBITDA growing manifold compared to the previous years. Unlocking value through our listing of the business on the LSE has created good shareholder wealth, and that's just a start."

"Our Broadcasting initiative with a very unique combination of cutting edge entertainment channels for the largest segment of Indian audiences - the 16-34, will transform UTV's

strengths in TV & Broadcasting into a formidable bouquet of channels for the Asian Diaspora worldwide.”

“UTV is always known for its pioneering and out-of-the-box approach and what we have aggregated in our Interactive business in Animation, VFX and Gaming has given us a head start in a “Tomorrow’s” business. The true impact of this M&A and integration will be seen by Q4 of this financial year and thereafter as another high growth and margin business for UTV.”

### Company performance in brief (Consolidated)

Given below is the brief income statement of the Company consolidated with its subsidiaries for the fiscal 2008 and 2007 (in Rs million)

	Q1FY08	Q1FY07	Δ
Operating Revenues	560	522	7%
Expenditure	442	477	(7%)
<b>Operating Income</b>	<b>118</b>	<b>45</b>	<b>162%</b>
Add: Other Income	11	1	1,000%
Depreciation	10	13	(23%)
Interest expense	10	-	-
<b>Profit before Tax</b>	<b>109</b>	<b>33</b>	<b>230%</b>
Provision for Tax	18	(1)	
<b>Profit after Tax</b>	<b>91</b>	<b>34</b>	<b>168%</b>

At the end of June 30, '07, net debt of the Company stands at Rs 1,783 million and total Capital Employed in operations is Rs 3,841 million. The Company has through its subsidiary, raised USD 70 million for the motion picture business in July. Out of this USD 30.2 million is expected to flow into the Company as its share of the movie slate transferred to the subsidiary. This is expected to considerably reduce the debt level of the Company.

Annualised Return on Capital Employed (ROCE) for the Company from its business operations is 8.9%. This is after considering over Rs 1,426 million invested in movies which are under production, most of which are to be released in the current fiscal or movies that have been released but revenues are still to accrue in the coming quarters.

### Segment performance (Consolidated) (Rs in million)

This fiscal, our business has been categorized under three segments - Television, Films and Interactive.

<b>Segment Revenues</b>	<b>Q1FY08</b>	<b>Contribution</b>	<b>Q1FY07</b>	<b>Δ</b>
Television *	258	46%	215	20%
Films ^	101	18%	274	(63%)
Interactive #	208	37%	35	494%
(Inter-segment)	(7)	(1%)	(2)	250%
<b>Total</b>	<b>560</b>		<b>522</b>	<b>7%</b>

<b>Segment Results</b>	<b>Q1FY08</b>	<b>Margins</b>	<b>Q1FY07</b>	<b>Δ</b>
Television *	59	23%	9	556%
Films ^	15	15%	61	(75%)
Interactive #	53	25%	1	5,200%
<b>Total</b>	<b>127</b>	<b>23%</b>	<b>71</b>	<b>79%</b>

<b>Capital Employed</b>	<b>As on June 30, 07</b>	<b>Contribution</b>	<b>As on June 30,06</b>	<b>Δ</b>
Television *	403	10%	360	12%
Films ^	1,824	47%	802	127%
Interactive #	1,057	28%	357	196%
Unallocable	557	15%	955	(42%)
<b>Total</b>	<b>3,841</b>		<b>2,474</b>	<b>55%</b>

\* Television segment include, TV Content, Airtime sales and Dubbing businesses

^ Films segment include, Films Production, Distribution – Domestic & International and Home Entertainment

# Interactive segment currently comprises the Post Production business, Animation and Gaming

### **Television Segment**

Television segment primarily consists of all products and services offered for the small screen. Therefore, this segment of the Company constitutes TV Content production, Airtime sales and Dubbing businesses. The Animation business, previously a part of the Television segment has now been grouped under the Interactive segment.

The contribution from this segment during the quarter ended June 30, 2007 was 46% of all operating revenues. Revenues from this segment in Q1FY08 are higher by 20% over revenues in Q1FY07.

**TV Content:** UTV's TV Content segment represents the shows produced by the company on a commissioned basis. The company is currently producing shows for *Star Plus*, *Doordarshan* and *Disney. Towering Inferno*, a non-fiction television show being produced for *National Geographic Channel* is currently on the floor and is expected to come on air in the third quarter of this fiscal. The Company through its joint venture – GenX Entertainment is expected to launch a television channel targeting at the age-group of 15-25. The Company has already initiated content production for this network and will be one of the preferred content suppliers to the venture.

**Air Time Sales:** During the quarter, the Company has managed an average of close to 100 hours of content each month across the following South Indian Channels - *SunTV*, *GeminiTV*, *SuryaTV* and *UdayaTV*. Shows marketed by the company feature in the top 10 on each of these channels. On *SunTV*, we have been successfully marketing the No.1 show *Kolangal* as well as the No.2 show *Arasi*. During the quarter, we started marketing another show, *Lakshmi* on *UdayaTV*.

### **Film Segment**

Film segment comprises all products and services resulting in the big screen exploitation such as movies production and distribution in India and abroad.

The Films segment during the quarter, reported a revenue of Rs 101 million, contributing 18% to the total segmental revenue. During the quarter, the Company released the movie *Life in a Metro* in theatres worldwide and has performed very well at the box office. Home video and television rights of this movie are pending exploitation.

The Company's Hollywood productions - *The Namesake* and *I Think I Love My Wife* have been released at the end of last fiscal in theaters selectively in the world markets. Revenue realisation for these is expected in the following quarters. Both these movies have done well at the Box Office. Home Video and Television rights of these movies are pending exploitation. Home Video and Television revenues constitute a large share of the Hollywood movie revenue pie.

### **Interactive Segment**

This business segment comprises Animation, Post-Production & VFX activities and also our recent acquisition in the Gaming business - *Ignition*. During the quarter, this segment has contributed about 37% of the operating revenues of the Company.

During the quarter, Ignition released its game *Mercury Meltdown* on the *Nintendo Wii* platform. The animation facility continues to work on the outsourcing order book which currently stands at USD 11million to be executed over the next 24 months, which we see increasing considerably with our international exposure.

### **Corporate Developments**

**Listing of Motion Picture business of the Company on AIM of London Stock Exchange:** The Company recently listed its subsidiary - UTV Motion Picture Plc (UTV-IOM) on London Stock Exchange's *Alternative Investment Market (AIM)*. UTV-IOM through its subsidiary based in Mauritius houses all movie production businesses of the Group. The company has raised USD 70 million at a dilution of around 23% through this listing. Funds shall be used to fund the production and distribution of its increasing slate of movies. This initiative has given the Company and its Movie business greater international visibility.

**UTV Global Broadcasting Limited (UGBL):** The Company has invested into a broadcasting venture UGBL and marked re-entry into this segment (after its success with *Hungama TV*). The Company is expected to launch around eight television channels between August 2007 and June 2008 – the first being *Bindass*, a 360° entertainment brand, which will be launched in August 2007.

### **Business Outlook**

In the recent past, the Company has re-engineered its business model and has entered into businesses that place it at the top end of the value chain. This is largely addressed through entry into business segments such as Motion Pictures (Indian and Hollywood), Gaming and Broadcasting. All these businesses are highly scalable and provide global landscape.

In the Broadcasting space, the Company intends to cater to the fragmentation of the General Entertainment space, revolution in the Pay revenue market through addressability and constantly changing content needs of the consumer. The Company looks at pay revenue as a critical component of its business plans especially considering the phased rollout of *Conditional Access System (CAS)* in the metros initially and then in other parts of the country.

The Company's multi-pronged approach towards achieving scale in the Motion Picture business has worked well. Long term and multiple movie deals with talent in India and its relationships with talent and studios in the Hollywood market have ensured high visibility of a scalable, profitable and global business model. Some of these relationships / tie-ups include *Fox, Overbrook, M Night Shyamalan, Rakeysh Mehra, Anurag Basu, Priyanka Chopra, John Abraham, Shahid Kapoor, etc.* It believes in maintaining a diverse portfolio of productions designed to appeal to various types of audiences and in catering to the global marketplace rather than restricting itself to merely Indian Diaspora worldwide.

The Company believes that it is at the lowest risk level within the movie production and distribution value chain. The current business model enables it to be involved in, and to take control of the entire product development/ production/ marketing and distribution cycle. This business model enables the Company to mitigate risks that would normally be associated with "finance-only" or "distribution-only" business models.

The Television business of the Company continues to grow. The Company is currently evaluating inorganic growth opportunities in this segment. In addition to this, the tie-up with *Radaan Media* in the Airtime sales business and the content requirements from UTV broadcasting venture will drive future growth in this segment.

Interactive business segment of the Company will be largely driven by growth in recently acquired gaming business. In the animation business, apart from the outsourcing model, which provides the Company with a stable revenue stream, the Company will continue to focus on IPR creation and worldwide monetisation.

The Company has recently taken various strategic steps to establish itself as a Global Indian Media Player by stepping beyond national boundaries and creating a strong foothold in business ventures like broadcasting, animation and gaming. The Company is driving its growth through organic as well as inorganic modes. We foresee a strong revenue growth in the coming years primarily from monetization of its strong movie pipeline, its entry into the Indian and global gaming market and its re-entry into the broadcasting space.

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