



Movies • Broadcasting • Television • Animation

UTV Software Communications Limited

EARNINGS RELEASE
.....
FOR THE QUARTER ENDED SEP 30, 2006

1H FY2007 as compared to 1H FY2006

- Operating Revenues	- Rs 910 million, up 4%
- Operating Income	- Rs 104 million, down 10%
- Net Profit	- Rs 75 million, down 9%
- Cash Profit	- Rs 103 million, down 2%

Mumbai, India; October 30, 2006 – *UTV Software Communications Limited* (UTVS.BO, UTVS.NS) today reported its results for the quarter ended September 30, 2006. Consolidated revenue of the Company for the quarter is Rs 387 million, EBITDA – Rs 60 million and Net Profit is Rs 40 million.

The Company has consolidated the financials of *UESL, UTV-US, UTV-UK and UTV-Mauritius*. The Board of Directors in its meeting held today, have 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, "We have made good progress and there is a growth in our business of TV and Animation and overall growth in the quarter and half year considering there was no movie release in this quarter. We have witnessed significant improvement in both revenues and margins primarily driven by Airtime Sales and Animation businesses in Television business segment as compared to previous quarters. We foresee continued growth in this segment in the coming quarters. In revenue terms for the first half of this fiscal this segment and recorded growth of over 50% as compared to the same period in the previous year.

Film business witnessed very little activity with release of *Khosla Ka Ghosla*, which is currently running successfully across the country. Deliveries in the animation business were accelerated - this business is entering into an extremely high growth phase; the airtime sales division has also seen improvements with its shows starting to deliver viewership as well as revenues. The company also recently started its new post-production facility *UTVPost* at its Andheri facilities."

Company performance in brief (Consolidated)

Given below is the brief income statement of the Company consolidated with its subsidiaries for the fiscal 2007 and 2006 (in Rs million)

	Q2FY07	Q2FY06	Δ	H1FY07	H1FY06	Δ
Operating Revenues	387	391	(1%)	910	876	4%
Expenditure	329	334	(2%)	806	760	6%
Operating Income	58	57	4%	104	116	(10%)
Add: Other Income	1	14	(93%)	2	17	(88%)
Depreciation	15	11	36%	28	23	22%
Interest expense	-	-	-	-	-	-
Profit before Tax	44	60	(25%)	78	110	(29%)
Provision for Tax	4	11	(64%)	3	28	(89%)
Profit after Tax	40	49	(16%)	75	82	(9%)

At the end of Sep 30, '06, Net Debt of the Company stands at Rs 722 million and total Capital Employed in the operations is Rs 2,876 million

Segment performance (Consolidated) (Rs in million)

Segment Revenues	Q2 FY07	Contribution	Q2 FY06	Δ
Television *	275	71%	180	53%
Films ^	87	22%	190	(54%)
Allied Content services #	33	9%	26	27%
(Inter-segment)	(8)	(2%)	(5)	
Total	387		391	(1%)

Segment Results	Q2 FY07	Margins	Q2 FY06	Δ
Television *	43	16%	26	65%
Films ^	23	26%	41	(44%)
Allied Content services #	15	45%	11	36%
Total	81	21%	78	4%

Capital Employed	As on Sep 30, 06	Contribution	As on Sep 30, 05	Δ
Television *	498	17%	366	36%
Films ^	1,046	36%	795	32%
Allied Content services #	324	11%	232	40%
Unallocable	1,008	35%	630	60%
Total	2,876		2,023	42%

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

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

Allied Content services comprises of Post Production business

Television Segment

Television segment primarily consists of all products and services offered for the small screen businesses. Therefore, this segment of the Company constitutes TV Content production, Airtime sales, Animation and Dubbing businesses.

For the quarter ended Sep 30, 2006, Television segment has contributed 71% to the Company's consolidated revenues. Revenues in the television business were higher by over 53% as compared to Q2 FY2006. This was primarily due to an increase in the number of hours being managed in the Airtime sales business and increased revenues in the Animation business. During the quarter, the animation division accelerated its deliveries on its order book. The margins in the television segment have improved mainly due to better margins in the animation business and stability in the Air-time Sales business.

TV Content: UTV's TV Content segment represents the shows produced by the company on commission basis. The company is currently producing shows for *Star Plus*, *Sony Entertainment Television*, *Doordarshan* and *Hungama TV*. A non-fiction quiz show, *Chamatkar* was recently launched on *Doordarshan* towards the end of the quarter. A new comedy show *Arranged Marriage* on *Star Network*, is expected to go on air soon. The company is also producing a non-fiction television show for *National Geographic Channel*, which is expected to go on air in the fourth quarter of this year.

Air Time Sales: During the quarter, the company managed an average of almost 17 hours of content per week across various South Indian channels. The company discontinued one of its serials under management - *Selvanga* (*Sun TV*) due to non-performance.

Animation: The Company's animation facility in Andheri became fully operational during the end of 1Q FY2007. During the quarter under consideration the business has significantly contributed to the revenues and Ebitda of this segment. During this quarter the company completed delivery of 15-Episode TV Series and 2 DVD Films to overseas clients. Its pending order book consists of around USD 13 million worth of deliveries to be executed during next 24 months for TV Series, DVD Movies & short series. In addition to that 2 theatrical feature films with *Porchlight Entertainment* and Will Smith's *Overbrook Entertainment* and one Indian movie project being developed out of India.

Film Segment

Film segment comprises all products and services resulting in the big screen exploitation and directly related activities. Hence, it comprises all film production and distribution related activities in India and abroad. The Film revenues during the quarter were fairly low due to the absence of any major film release in the quarter. This segment has contributed to 22% of the Company's revenues this quarter.

The company's tent-pole production of fiscal 2006 *Rang de Basanti* was selected as India's official entry to the *Oscar Awards* to be held next year. The Company is committed to put best efforts in order to have *RDB* in top nominations in foreign film category.

During the quarter, the Company released a small budget movie *Khosla Ka Ghosla*, directed by *Dibakar Banerjee*. The movie has opened well in many territories. The movie, having been released towards the end of the quarter, only small part of its revenues has been captured in the second quarter.

UTV has tied up with leading directors and actors from varied backgrounds to put together a bouquet of world-class movies displaying its presence in various genres of film-making. In line with the Company's strategy, UTV has tied up with the following talent for multiple films – *Rakeysh Mehra, Ashutosh Gowariker, Rituparno Ghosh, Vishal Bhardwaj, Vivek Agnihotri, David Dhavan, Prakash Jha, Madhur Bhandarkar, Annes Bazmi, Anurag Basu, Milan Luthria, John Abraham, Ajay Devgan* and is in talks with many others.

Immediate Releases:

#	Films	Director	Cast
1	Blue Umbrella	Vishal Bhardwaj	Pankaj Kapoor
2	Namesake	Mira Nair	Tabu, Irfan
3	Rooh	Ramesh Sippy	Amit Gaur, Alisha
4	Metro	Anurag Basu	Konkana Sen, Shilpa Shetty, Shiney Ahuja, Irfan Khan
5	Hat Trick	Milan Luthria	Kunal Kapoor, Paresh Rawal, Nana

International Co-productions: The Company has been very active in exploring co-production opportunities with global studios. *Namesake*, which is UTV's first international co-production is expected to release in the last quarter of the fiscal. The Company has entered into another co-production with Fox titled '*I think I love my wife*' which is expected to release in the beginning of the next fiscal. Another co-production deal executed by UTV is with *Will Smith's* company Overbrook Entertainment for a live action film to be released in fiscal 2009.

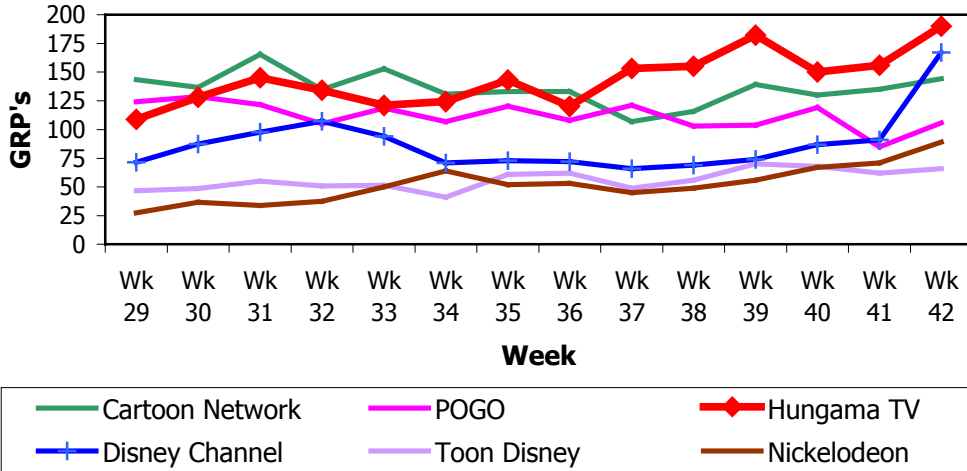
Allied Content Services

This business segment comprises of post-production activities of the Company, which contributed 9% to the consolidated revenues of the Company during the quarter. UTV has recently made investments into VFX and Digital Intermediary facilities in the post-production division. The new facility '*UTVPost*' has just been launched in October 2006.

Broadcasting (Hungama TV)

During the quarter *Hungama TV* retained its numero uno position in a 7 channel kids space

Hungama TV Competition comparison
TAM Media Research HSM C&S ABC 4-14 wk29-42 2006



Strategic Sale of *Hungama TV*: *UTV* relinquished its stake in *Hungama TV* by selling 100% equity & convertible preference share capital in *UHEL* to the *Walt Disney Company SouthEast Asia Pte Ltd.* for an aggregate consideration for around USD 30.5 million. *UTV* would continue to be instrumental in providing local content to the channel. This transaction is expected to consummate during the third quarter of this fiscal, which is pending regulatory approval.

Corporate Developments

Strategic Investment in *UTV*: *Disney* has entered the company as a strategic investor garnering a 14.9% of the expanded capital base. *Disney* has subscribed to 3,400,000 equity shares of Rs 10 each at Rs 192.5 per share aggregating Rs 654.5 million. This transaction has been consummated during 2Q FY2007. These funds are being utilized for repayment of loans and expansion of the company’s existing businesses. This resulted in the total equity base of 22.9 million shares.

Issue of Warrants to Promoters: The Company in addition has issued 1,949,360 warrants to the promoters of *UTV*, which are convertible into one equity share each of the Company, at a price of Rs 192.5 per share.

Merger of *UESL* with *UTV*: The Company in its Extraordinary General Meeting held on Oct 16, 2006 decided on a "Scheme of Arrangement" for the merger of its 100% subsidiary *United Entertainment Solutions Ltd (UESL)* with the Company. The necessary shareholder approvals were also taken on this day. The merger primarily aims at integrating the businesses of the two companies in the film & animation segments and offers solutions for captive and outsourcing business. The step also ensures better management focus on the business through re-branding of services under the brand name of *UTV*.

Business outlook

UTV has entered into a new phase of growth with added investments in its various business segments. The company has directed substantial investments to its movie business, which ensures a significant scale in operations and increased flow of movies on a periodic basis starting 4Q FY2007. These would be a combination of big and medium budget Hindi movies as well as mainstream Hollywood movies. The company is also planning to strengthen its Home Entertainment initiative through the launch of a premium DVD product.

The company has been streamlining its television business concentrating its efforts on the more productive shows by discontinuing non-performing shows and directing its resources towards fresh content production and aggregation, keeping in mind the changing preference of the consumer. The trend is likely to continue in both the television and A&S businesses. This is aimed at improving television margins going forward.

Company's new animation facility at Andheri is adequately equipped to not only fruitfully see through the completion of the existing order book but to also take care of feature film productions. The company also continually invests to upgrade its facilities so as to maintain superior product quality.

UTV has invested over the years in nurturing relationships with International majors, which is expected to benefit across all business segments in the times to come. On the movies front UTV presently leverages strong relationship with majors like *FOX, Disney, Sony, Will Smith's Overbrook* and *Mira Nair* and on the Animation standpoint the production houses such as *Porchlight, BKN* and *MikeYoung Productions* are few key clients.

Going by the company's bent towards innovation in content, it is constantly on the look out for new products in the existing line of business as well as investment in new opportunities in the entertainment content space. The company is currently evaluating options of entry into the new media/ gaming through acquisitions as well as investments in broadcasting.

The Company maintains its focus on **creating IPR** across platforms for worldwide monetisation. The Company is aiming at establishing itself as one of the top producers of content not only in India but also across Asia.

About UTV

UTV Software Communications Limited is a leading integrated media and entertainment company having business interests in products and services associated with Television, Films and Broadcasting. It is one of the largest producers of television programming in the country and one of the few corporate entities in film-making and theatrical distribution in India. *UTV's* broadcasting initiative includes a TV channel called *Hungama TV*, which is a general entertainment channel for the age group of 4-14.