



Movies • Broadcasting • Television • Animation

## UTV Software Communications Limited

### EARNINGS RELEASE

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FOR THE QUARTER ENDED MARCH 31, 2006

#### FY2006 as compared to FY2005

- Revenues – Rs 2,135 million, up by 18%
- EBITDA – Rs 164 million, down by 42%
- Net Profit – Rs 93 million, down by 43%

#### 4Q FY2006 as compared to 4Q FY2005

- Revenues – Rs 858 million, up by 67%
- EBITDA – Rs 106 million, down by 44%
- Net Profit – Rs 66 million, down by 21%

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Mumbai, India; April 28, 2006 – *UTV Software Communications Limited* (UTVS.BO, UTVS.NS) today reported its results for the quarter ended March 31, 2006. Consolidated revenue of the Company for the quarter is Rs 858 million, EBITDA – Rs 106 million and Net Profit for the quarter under consideration is Rs 66 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, "for the Quarter ended March31,'06, we have seen good growth in Revenues. Our tent-pole production *Rang De Basanti (RDB)* was released to packed audiences and is rated as one of biggest blockbusters of all times. *RDB* continues its successful run and we see value in its future exploitation. Our Operating margins were under pressure mainly on three counts (a) heavy investments into Animation including training and tests for our large order book, (b) Airtime Sales business added ten hours a week during the quarter but since they were all start-up shows it takes four to five months to turn a long-term profitability, (c) we took a very large hit and which we believe

is a one-off and without that our margins would have been substantially better than the year before.”

He continued, “Overall the year has registered growth of 18%. Hungama has really exceeded our own expectations especially when taking on two large media companies in the world as competitors. Going forward, we have one of the most interesting Movie line up under Production, have an interesting newly lined up TV shows on Sun Network that will show profitability in the Quarter to come, have an interesting Animation order book with all the training costs behind us and last but not the least for Hungama we have just signed *John Abraham* as brand ambassador, who is #1 Star among kids between 4-14 and his following will add great value to this asset of *UTV*.”

He added, “We are in talks with Strategic Investors to jointly exploit growing opportunity in the entire media space and we believe that the Partner will drive substantial future growth with synergies to our Business Model. Another positive development is in the Kids Broadcasting space, with Hungama TV emerging as clear no. 2 player in a seven-channel kid’s space. As part of our strategy to achieve leadership position in the Kids space and expand our overall kids agenda in South India, we also announced our MOU with Astro, a Malaysian Broadcaster for a 26.01% stake in *United Home Entertainment Ltd.* for US\$ 7.0 million”.

### Company performance in brief (Consolidated)

Given below is the brief income statement of the Company consolidated with its subsidiaries for the fiscal 2006 and 2005 (in Rs millions)

	Q4FY06	Q4FY05	Δ	FY06	FY05	Δ
Operating Revenues	836	507	65%	2,087	1,768	18%
Expenditure	752	326	131%	1,971	1,520	30%
<b>Operating Income</b>	<b>84</b>	<b>181</b>	<b>-54%</b>	<b>116</b>	<b>248</b>	<b>-53%</b>
Add: Other Income	22	7	214%	48	36	33%
Depreciation	12	9	33%	47	53	-11%
Interest expense	-	6	-100%	-	18	-100%
<b>Profit before Tax</b>	<b>94</b>	<b>173</b>	<b>-46%</b>	<b>117</b>	<b>213</b>	<b>-45%</b>
Provision for Tax	28	89	-69%	24	50	-52%
<b>Profit After Tax</b>	<b>66</b>	<b>84</b>	<b>-21%</b>	<b>93</b>	<b>163</b>	<b>-43%</b>

UTV reported growth in revenues of over 18%, primarily driven by its film segment. The company faced significant pressure on margins primarily driven by the following factors –

- a. two films (*Deewane Hue Pagal & Shaadi No.1*) in distribution business during the third quarter of the fiscal did not fair well at the box office, booking net loss of more than Rs70 million
- b. UTV moved from a variable cost model to the fixed one and ramped up its facilities to a 250-seater. Initial ramp up costs written off during the quarter was over Rs15 million.

At the end of March 31, '06, Net Debt of the Company stands at Rs949 million. Debt was primarily used to meet Working Capital requirement for films and capital expenditure for Animation and Post-Production businesses. Total Capital Employed in the operations is Rs2,353 million as at end of March31, '06.

**Segment performance (Consolidated)**

Rs in million	Revenue Q4 FY06	Contribution	Segment results	
			Q4 FY06	Margins
Television *	197	24%	4	2%
Films ^	626	75%	102	16%
Allied Content services #	18	2%	4	22%
(Inter-segment)	(5)	(1%)	--	--
<b>Total</b>	<b>836</b>		<b>110</b>	<b>13%</b>

Capital Employed	As on Mar31,06	Contribution
Television *	424	18%
Films ^	773	33%
Allied Content services #	257	11%
Unallocable	899	38%
<b>Total</b>	<b>2,353</b>	

\* Television segment include, TV Content, Airtime sales, Animation, Ad films 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, Ad Films and Dubbing businesses. During the quarter

under consideration, UTV produced over 72 hours of programming across genres, dubbed over 205 hours of content and sold over 100,000 seconds of airtime.

For the year ended March 31, 2006, Television segment has contributed 34% to the Company's consolidated revenues. Due to a significant ramp up in Airtime sales operations, the margins remained under pressure. The new slots added during the last two quarters would take about 4-5 months to mature. Introduction of new programmes in content production and matured slots in Airtime sales is expected to translate into better margins during the next fiscal.

**TV Content:** UTV experienced a churn in its production slate of TV content mainly driven by its key programmes like *Bombay Talking* and *Meher* going off-air during the quarter under review. But this was coupled with opening up new avenues in content on *SET - Kabhi Toh Nazar Milao*, a new daily soap, which is expected to go on-air in May06. A new comedy show *Arranged Marriage* is expected to go on air on *Star One* during the next quarter. Also on the anvil are four more shows - *Sohni Mahiwal* and *Chamatkar* on DD, and a show each on *Discovery* and *Travel and Living*. In addition to this, one of the most popular bi-weekly show from UTV stable, *Shanno Ki Shaadi* is expected to be aired tri-weekly from the next quarter. All new additions on various channels are expected to translate in more than 15 hours of content as an average for the fiscal 2007.

**Air Time Sales:** During the year under review, no of hours marketed by the Company on South Indian channels have grown by more than 100% as compared to the previous year. During the quarter, the company managed an average of over 22 hours per week across various South Indian channels. During the quarter, the Company expanded its operations to Kannada language in addition to its presence in Tamil, Telugu and Malayalam markets in South India. Margins witnessed pressure due to sudden ramp-up of operations during last two quarters.

At the end of Q4, the company is handling the following slots:

<b>Program Name</b>	<b>Channel</b>	<b>Time Slot</b>	<b>Format</b>
Selvangal	Sun TV	11:00 - 11:30	Daily
Muhurtham	Sun TV	18:30 - 19:00	Daily
Kolangal	Sun TV	21:00 - 21:30	Daily
Thanga Vattai	Sun TV	21:00 - 22:00	Bi-Weekly
Ali Rajjyam	Sun TV	20:30 - 21:00	Weekly
Shri Lakshminivasam	Gemini TV	19:00 – 19:30	Daily
Chi La Sow Sravanthi	Gemini TV	21:30 – 22:00	Daily
Bangarunikosam	Gemini TV	19:30 – 20:30	Bi-Weekly
Dance Raju Dance	Gemini TV	20:30 – 21:30	Weekly
Avalraktha Rakshashu	Surya TV	22:00 – 22:30	Daily
Swarna Mazha	Surya TV	20:30 – 21:30	Bi-Weekly
Bangaram Bettai	Udaya TV	20:30 – 21:30	Bi-Weekly

**Animation:** The Company is investing a total of Rs85 million in state-of-art Animation facilities, which is expected to be fully operational during the first quarter of fiscal 2007. These investments will enable the company to execute present outsourcing order book over a period of next 24 months and venture into creation of its products for domestic and international markets. During the quarter under review, it has added an output deal of over \$3 million to its order book from Mike Young. This will be a combination of co-production and outsourcing deal. Due to ramp up in operations to 250 seats in Animation business and fixed overheads on training and manpower resulted in lower profitability in the segment by over Rs15 million.

### **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. During the year, this segment has contributed 63% of the Company's revenues and has grown by about 70% as compared to the previous year.

The quarter for films started on a very strong footing with our long awaited production venture – *RDB* storming the theatres on January 26, '06. The movie has grossed record-breaking numbers at the box office, which is reflected in the growth in the film segment revenues. Film distribution revenues have also added to the top line with the release of successful movies - *Bluffmaster* and *Taxi 9-2-11*. *Bluffmaster*, which was released in the latter part of December 05, has been accounted for in this quarter.

During the year, *UTV* produced/ distributed over nine films and all of them but two proved successful for the Company. Two films namely *Shaadi No. 1* and *Deewane Hue Pagal* did not fair well at the box office, thus translated into a net loss during the third quarter. *UTV* remains cautious in film acquisition strategy and will continue to develop its own IPR in the long run for better efficiencies.

During the quarter under review, *UTV Home Entertainment* released *Bluffmaster*, *Rang De Basanti* and *Taxi 9-2-11* in the overseas markets through its DVD label.

*UTV* has demonstrated its ability to work with multiple actors and directors in recent past. Over a period of time the Company is working towards strengthening its movie offering further with the combination of key talent, good scripts and above all very good execution capabilities of film projects.

In line with the Company's strategy, *UTV* has tied up with *Madhur Bhandarkar* (two films), *Vishal Bhardwaj* (two films), *Annez Bazmi* (two films), *Prakash Jha* (two films), *Milan Luthria* and is in talks with others too.

In addition to the films tied up with the above-mentioned directors and actors in the next 36 months, UTV is expected to release following movies during next ten quarters,

#	Films	Director	Cast
1	Chup Chup Ke	Priyadarshan	Shahid/ Kareena Kapoor
2	Blue Umbrella	Vishal Bhardwaj	Pankaj Kapoor
3	Khosla Ka Ghosla	Dibakar Benerjee	Anupam Kher/ Boman Irani
4	Namesake	Mira Nair	
5	K-11	Saurabh Narang	Kunal Kapoor
6	5- Friends	Vikram Bhat	
7	Jonny Gaddar	Sriram Raghwan	Dharmendra/ Rimmi Sen
8	Barish	Chandan Arora	
9	Untitled	David Dhawan	Sanjay Dutt
10	Ay Ay Yo, Balle Balle	Murli Nagawali	Rishi Kapoor/ Mohan Lal/ Priyanka
11	RockStar	Imtiaz Ali	John Abraham
12	Romanchak	Vishal Bhardwaj	
13	Goal	Vivek Agnihotri	
14	Haar Ki Jeet	Trishul Rajnichlani	

Film slate tied up for distribution in Domestic/ International markets is given below.

#	Films	Director	Cast
1	Rooh	Ramesh Sippy	
2	Don	Farhan Akhtar	Shah Rukh Khan
3	Humko Deewana Kar Gaye		Akshay Kumar/ Katrina Kaif

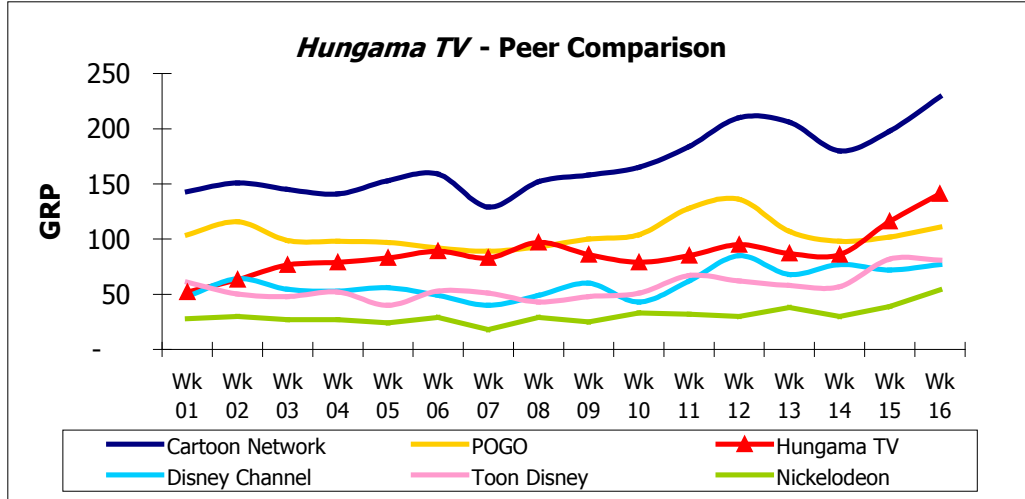
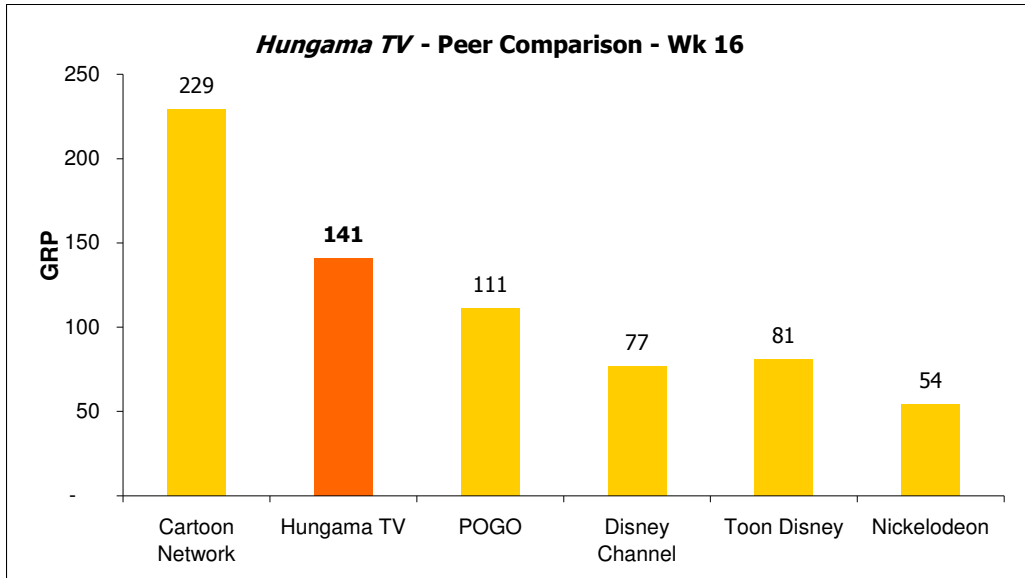
UTV has established itself as a strong player in domestic and international film distribution segment. The Company is in discussion for more films for its distribution pipeline and will decide on the product on a case-to-case basis.

### Allied Content Services

This business segment comprises of post-production activities of the Company, which contributed 3% to the consolidated revenues of the Company. The planned expansion of facilities in Special Effects and Digital Intermediary is expected to be operational during May'06.

**Investments in Hungama TV channel**

Hungama TV continues to make rapid progress in the kid’s space. The channel’s average GRPs have increased by almost 25% in Q4 over the previous quarter. Over a period of time the channel has clearly established itself at #2 slot in seven-channel kids channel space.



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Capital Employed in *United Home Entertainment Ltd* is Rs 840 million, which is used to fund *Hungama TV* operations. *UTV* has made investments of Rs 680 million into the channel so far. With an overall view to expand kids space and establish leadership position not only in India but Asia, *Astro*, a Malaysian TV content and distribution major entered an agreement with *UHEL* to invest US7.0 million for a 26.01% stake in the Company. Promoter’s holding post *Astro* equity infusion is expected to dilute accordingly.

### Corporate Developments

Strategic Investment in *UHEL (Hungama TV)*: During the quarter under review, *Astro* –a leading TV Content/ DTH company based out of Malaysia, entered into an agreement for investing 26.01% in *UHEL*, a *UTV* venture which owns and operates *Hungama TV* operations. Investment is pending all regulatory approvals.

Strategic Investment in *UTV*: *UTV* is in talks with potential Strategic Investors primarily to take up growing opportunities in the Media and Entertainment business worldwide. This is expected to drive future growth of the company both financially and synergistically by contributing to growth of each business vertical. In addition, this will help company to build a war chest for future business and M&A opportunities.

### Business outlook

*UTV*, during first year of its going public, invested across all its businesses to strengthen its position in the growing media and entertainment industry in India. The Company established itself as one of the most outwardly focused player in the industry by associating itself with key players in broadcasting, TV and film space worldwide. Though, the Company foresees a strong top-line growth in the coming quarters, growth in profit margins remains key challenge and it has invested adequately to address this issue going forward.

On a continued basis it has established that the company is evenly poised to take quantum jump in all its businesses, may it be films, TV, Animation or broadcasting. Focus remains 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.

The Company is working towards strengthening its film slate for the next two years, which currently looks very robust. The Company is using marketing and distribution learning from *RDB* to de-risked and high return model. Led by *Namesake*, International co-production remains to be an integral part of film business. The Company is working towards finalizing a significant co-production deal, which will establish itself a truly global player in filmmaking business in India. Film business in South India looks to be an attractive opportunity for the Company. It will shortly announce its foray into regional film space and associations with key talent in those markets.

Investments in Animation business will facilitate execution of order book during this fiscal. As part of the strategy to move up the value chain, *UTV* is currently working on 14 DVD home video titles in addition to the TV series order book to be executed over next 24 months. The company is taking big strides towards development of creation of Animation products for domestic markets. These products are expected to drive future growth of the



company. Additionally, The Company is investing in co-owning of IPR worldwide with a focus of creating library for all future monetisation.

Increasing efforts towards addressable TV distribution system in India through CAS and DTH is expected to drive growth in TV content business for the Company. TV business for the company is expected to grow by more than 50% CAGR for next 2 years primarily driven by additional TV content development and Airtime sales business.

*Hungama TV* has clearly emerged as the #2 player in a seven-channel kids space in India. The continuing success of *Hungama TV* reaffirms our belief in the Kids broadcasting space that should continue to grow at high rates over the next few years. The Company is in talks with a major South Indian broadcaster to co-invest in two South-Indian kid's channels, which will ensure *Hungama TV's* leadership position nationwide.

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#### **About UTV**

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*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.