



Movies · Broadcasting · Television · Interactive

UTV Software Communications Limited

EARNINGS RELEASE
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FOR THE QUARTER ENDED MARCH 31, 2008

CONSOLIDATED RESULTS

QUARTERLY PERFORMANCE

4Q FY2008 as compared to 4Q FY2007

- **Operating Revenues** - Rs 1,870 million, up by 363%
- **Net Profit** - Rs 271 million, up by 140%

ANNUAL PERFORMANCE

Year ended Mar 31 2008 as compared to the last fiscal year

- **Operating Revenues** - Rs 4,375 million, up by 150%
- **Net Profit^a** - Rs 768 million, up by 271%

Segmental Revenue Contribution

- **Television** - 23%
- **Movies** - 55%
- **Gaming/ Interactive** - 22%

Mumbai, India; April 29, 2008 – UTV Software Communications Limited (UTVSOF.BO, UTVSOF.NS) today announced its results for the quarter ended March 31, 2008.

The Year gone by – Financial Review of 4Q08 and FY2008

The Company reported a growth in Operating Revenue of 150% year on year from Rs 1,749 million to Rs 4,375 million, Operating Profit of 1,403% from Rs 40 million to Rs 601 million and growth in PAT of 63% Rs 470 million to 768 million. However, if one excludes the Rs 263 million one-time capital gains in the previous year on the sale of *Hungama TV*, then the growth in PAT is actually 271%.

The two businesses leading the growth are the Motion Pictures business that has reported a revenue growth of 241% and Interactive & Gaming that has shown a growth of 249%.

Operating revenues of Rs 1,870 million during the Fourth quarter of the fiscal under consideration, is the single highest quarter for the company till date and represents a healthy run rate going into the next financial year.

^a Percentages are calculated after excluding capital gain of Rs. 263 million on sale of *Hungama TV* in FY2007.

The Company has consolidated the financials of *UTV-US, UTV-UK, UTV-IOM and UTV BL* and the group's indirect subsidiaries *Ignition Entertainment Limited, Indiagames Limited, and UTV-Mauritius* and UTV's television joint ventures *Smriti Irani Television Limited* and *Windmill Entertainment Limited*. 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, Chairman and CEO of the Company said, "We are very pleased to note that we have concluded this financial year on a strong note. We have been successful at developing an expanded opportunity pipeline resulting from our re-entry into the broadcasting business, our recent gaming acquisitions in the Interactive vertical, our TV joint ventures and our enviable slate of movies in Hindi and Hollywood space. The long term outlook is better than ever, given the initiatives that we are implementing in all our four verticals i.e. Television, Movies, Interactive and Broadcasting. We have also further strengthened our team during the quarter in order to ride the anticipated growth. Above all, increase in strategic stake by *Disney* demonstrates the confidence we and others have in our company and shows our commitment to maximizing long-term shareholder value.

Our Movie business has started realizing the benefits of its IP focus and studio model approach which have actually exceeded our expectations. This quarter has again witnessed a triple revenue growth which is a result of our perseverance and commitment to produce and entertain our viewers with good quality cinema.

We have made sincere efforts to revamp our Television Content business where we are currently following inorganic growth. We have already formed two joint ventures with well known names like *Smriti Irani* and *Shekhar Suman* jointly producing shows for various channels. The Company's own broadcasting business and a few inorganic growth opportunities will further fuel the growth of this business.

Our Interactive business comprising animation and gaming is a truly global business model, with little dependence on Indian market. In the fast growing interactive space in South East Asia, we are the first Indian players to be present across all platforms for games i.e. consoles, mobile and online. We are currently developing our own high end console games and mobile games and reducing dependence on pure publishing and distribution business. Therefore, what we see now is merely the beginning of the high growth trajectory in the years to come.

In our Broadcasting venture, we are in an organic start up mode where we have recently launched a bouquet of four channels i.e. *Bindass, Bindass Movies, UTV Movies* and *World Movies*. In this fragmented industry, success is about finding opportunities and need gaps giving the Company a first mover advantage which gives one an edge over competition. This is the approach the Company has adopted in its broadcasting business. The Company has also successfully built its own distribution platform for all its channels ground up which has exceeded all expectations by providing excellent connectivity and reach to all channels since launch."

COMPANY PERFORMANCE (CONSOLIDATED)

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

	Q4FY08	Q4FY07	Δ	FY08	FY07	Δ
Operating Revenues	1,870	404	363%	4,375	1,749	150%
Expenditure	1,773	459	286%	3,774	1,709	121%
Operating Income	97	(55)	(276%)	601	40	1403%
<i>Operating Margin</i>	5%	(14%)		14%	2%	
Add: Other Income	77	13	492%	123	20 ^b	515%
Interest expense	29	16	81%	60	16	275%
PBT	145	(58)	(350%)	664	44	1409%
PAT	271	113	140%	768	207	271%
<i>Net Margins</i>	14%	28%		18%	12%	
<i>Add: Hungama TV Sale</i>	-	-		-	263	

At the end of March 31, '08, consolidated debt of the Company stands at Rs 2,735 million and company has consolidated cash balance of Rs 714 million. Debt/ Cash status is going to change significantly after the capital infusion from Disney and Promoters. Total Capital Employed in operations is Rs 7,314 million. For the year ended Return on Capital Employed (ROCE) for the Company from its business operations is 8.3%.

SEGMENT PERFORMANCE (CONSOLIDATED) (Rs in Million)

This fiscal, our business has been categorized under three segments - Television, Movies and Interactive. Broadcasting is not consolidated into our results so far but will be going forward.

Segment Revenues	Q4FY08	Contribution	Q4FY07	Δ
Movies [^]	1,105	59%	143	673%
Television [*]	283	15%	168	68%
Interactive [#]	518	28%	99	423%
(Inter-segment)	(36)	(2%)	(6)	
Total	1,870	100%	404	363%

Segment Results	Q4FY08	Margins	Q4FY07	Δ
Movies [^]	61	6%	(74)	(182%)
Television [*]	51	18%	13	292%
Interactive [#]	64	12%	37	73%
Total	176		(24)	(833%)

^b Hungama TV Sale shown separately in FY2007.

	As on March		As on March	
Capital Employed	31. 08	Contribution	31. 07	Δ
Movies ^	4,014	56%	1,557	158%
Television *	250	3%	271	(8%)
Interactive #	1,123	15%	1,081	4%
Unallocatable	1,927	26%	541	256%
Total	7,314	100%	3,450	112%

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

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

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

SEGMENT REVIEW

Movies Segment

Explicitly covered in the Earnings Release for *UTV Motion Pictures PLC, Isle of Man* attached herewith.

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 for this fiscal.

The contribution from this segment during the quarter ended March 31, 2008 was 15% of all operating revenues.

TV Content: *UTV's* TV Content segment represents the shows produced by the company on a commissioned basis. We have been providing television content for channels like *Star Plus (Bhabhi)*, *Bindass (Sun Yaar Chill Maar and Shakira)* as well as South Indian channels like *GeminiTV* and *KTV* where we have one show each. During the quarter in review, we have done around 90 hours of programming. Going forward, we have an aggressive line up of shows which are currently in production which include our first production on *SunTV* and three reality shows expected to go on air in the second quarter of FY2009. Besides these, we have also two shows coming out of our joint ventures with *Smriti Irani* and *Shekhar Suman* which are also expected to go on air in the second quarter of FY2009.

Air Time Sales: During the quarter, the Company has managed a monthly average of approximately 100 hours of content under management across all leading South Indian Channels such as *SunTV*, *GeminiTV*, *UdayaTV* and *KTV*. This quarter we have added two more shows on *SunTV* including *Ramayanam*, which is the first ever dubbed show going on air on *SunTV* and *Superstar*, a reality show. We also added a daily afternoon soap on *GeminiTV* called *Chinnari*. Top 2 slots on *SunTV* belong to the Company, which airs *Kolangal* on the top position followed by *Arasi*. We also have the No.1 show in the afternoon slot on *SunTV*. On *GeminiTV* we have 2 shows which feature in the list of Top 5 shows and the No.5 show on *UdayaTV*.

Interactive Segment

This business segment comprises Gaming Business through recent acquisitions of *Ignition* and *Indiagames*, Animation, Post-Production & VFX activities. During the quarter in review, this segment has contributed about 28% of the operating revenues of the Company. This segment is expected to be one of the major contributors to top line in the future once the games pipeline starts releasing in the quarters to come.

It is important to note that the Animation, Post-Production & VFX businesses will not form part of this segment in the following quarters. This is primarily because the Company has strategically decided to move out of Animation Outsourcing and use its animation facilities for *UTV's* captive movie production. Post Production & VFX business has been sold in the previous quarter in order to move out of service oriented business model.

CORPORATE DEVELOPMENTS

Increase in Strategic stake by *Disney*: On February 18, 2008, the Company announced *Disney* increasing its stake from the current 13.7% to 32.1% of the fully diluted equity.

- ❖ Preferential allotment to *Disney* through subscription of 9,352,500 shares for investment of Rs 8,050 million (~USD 203 million)
- ❖ UTV Promoter Group consolidates shareholding – investment through subscription of warrants to the tune of 4,532,500 warrants for Rs 3,900 million (~USD 98 million). This maintains Promoter shareholding equal to *Disney* at 32.1% on a fully diluted basis
- ❖ The transaction including the preferential allotment and the subsequent Open Offer will be consummated at Rs 860.79 per share.
- ❖ Additionally, *Disney* invests Rs 1,190 million (~USD 30 million) for 15% stake in UTV Global Broadcasting Limited, at an enterprise value of Rs 7,930 million (USD 200 million)
- ❖ Total Fund Infusion of Rs 13,140 million (~USD 331 million)

This is by far, the largest strategic deal ever by a foreign investor in the Indian Media & Entertainment Industry. The Company has received necessary statutory approvals and is in the process to consummate the transaction soon.

BUSINESS OUTLOOK**The Year Ahead – FY2009**

1. During the fiscal 2009, the company is confident of recording approximately 80% growth over its revenue in FY2008.
2. The Broadcasting business would be fully consolidated in fiscal 2009 and *UTV* would be the beneficial owner of 75% with the balance 15% and 10% held by *Disney* and the Promoter Group respectively.
3. During the current financial year, the Company will witness an inflow of approximately Rs 9,400 million from the *Disney* transaction and around Rs 390 million as part payment against the Promoter Warrants. Inflow of balance consideration of Rs 3600 million against

the Promoter warrants is expected within next 18 months. The Company expects the use of proceeds in the following areas :

- a. Rs 1,200 million being invested directly by TWDC into Broadcasting
 - b. UTV's equity investment in Broadcasting to the tune of Rs 2,400 million (less approximately Rs 1,400 million already advanced to the venture in past)
 - c. Debt repayment of around Rs 3,000 million
 - d. Investments in the Motion Pictures business in the long term to the tune of approximately Rs 2,000 million
 - e. Around Rs 1,300 million in the Interactive businesses primarily for the development of new game IPs
 - f. Around Rs 500 million into our Television Content business for ramp up and funding inorganic growth
4. Revenue contribution in fiscal 2009 from four business verticals is expected to be approximately,
- a. 20% from Television,
 - b. 20% from Interactive,
 - c. 15% from Broadcasting and
 - d. 45% from Movies.
5. The Company sees 1Q09 as the quarter of consolidation where the major investments would go into Broadcasting from the launch of our channels and their promotion, marketing and distribution. The story will unfold in the Third and the Fourth quarters, where the company foresees a sizeable part of revenue buildup for the next year.
6. Pertinent to note is that the Broadcasting activity has a benchmark valuation of around Rs 8,000 million with the just-concluded investment of Rs 1,200 million by TWDC for a 15% stake

Strategic Issues

We are clearly geared for leadership position in each of our business verticals.

1. In Motion Pictures, in fiscal 2009 we would be the No.1 Movie Studio in India and may be in Asia with our forthcoming slate of movies and added to that a global release of *M Night Shyamalan's, "The Happening"*.
2. In Television business, we will consolidate our activities to move to the No.2 slot in fiscal 2009 and aim for market leadership i.e. the No.1 slot in fiscal 2010.
3. In Interactive & Gaming, we see no other model as scaleable as ours, backed by a 360° approach of Mobile, Online and Console and for the world market. We believe our positioning in this space will clearly be as a No.1 slot in fiscal 2009 and 2010.
4. In Broadcasting, while our present bouquet offering will not accord us leadership position, we believe that the verticals in which we have entered are unique and pioneering.

We firmly believe that our integrated media model which in fiscal 2009 will demonstrate a second consecutive year of triple digit growth will establish its positioning, scalability and uniqueness in the financial year 2010.

We believe that there are many Full Play Media Models emerging but most of them are focused within the realm of Broadcasting, News or Print. We believe that our model which encompasses Gaming & Interactive, Motion Pictures, Television, Broadcasting and News Media combined with



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leadership positions in most of these segments – backed by a significant strategic partnership by one of the top three media company in the world – will represent a very high value creation for this model.

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