



Movies . Broadcasting . Television . Animation

UTV Software Communications Limited

INVESTOR CALL – AUG-4-2005

RESULTS – QTR ENDED JUNE 30, 2005

Moderator: Good morning ladies and gentlemen, I am Parul, the moderator for this conference. Welcome to the UTV Software conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the Q&A session. I would like to hand over to Mr. Amit Banka of UTV. Thank you and over to you Mr. Banka.

Amit Banka: Good morning everybody. We from UTV welcome you all to the investor conference call to discuss results for the quarter ended June 30, 2005. I am Amit Banka, and I have with me Mr. Ronnie Screwvala, CEO of UTV, and Mr. Ronald D'Mello, Director Finance and Operations, and I look after business development and strategy. We apologize first of all for the delay in our call, and which is almost one week after we have declared our results for the quarter due to the natural calamity that hit Mumbai. As far as the call is concerned, I would like to remind everybody that anything we say during the call that refers to our outlook for the future is a forward-looking statement and must be taken in context with the risks that we face. I would now hand over the call to Mr. Ronnie Screwvala.

Ronnie Screwvala: Thank you very much and good morning to everybody. I think the note that Amit has circulated to everyone basically is sort of self explanatory of where we are. I think what we have to summarize our overall opportunity is, is that in the last three months since we may have talked with some of you all, we have made some interesting strides in some of our key activities. If I can just headline those, our progressive thought process, and then just talk a little bit about this quarter.

Number one, as far as animation is concerned, this is a very interesting and a huge development activity that we have really pioneered over the last five years in this business. A year and half back we took a corrective step, the entire 2D animation model was going through a phase of moving to 3D, recognizing this in anticipation we changed our model so that it was more focused on 3D and a technology called flash. We also decided that a variable model in this business was going to be most critical for us as we go forward, which means that our fixed costs are down to the bare minimum, and all of our people that we take on are ramped up based on projects. This I think is unique to some of the other animation production companies which have pure play in the industry, which I am sure can be deciphered even from their results that they have a high fixed cost component. I think what we have been able to do in the last four to six months, and our progress as we go forward, is to have a critical mass of business, which sounds promising for us to look at with companies in Europe, Canada, and Scotland.

The other breakthrough is that we have now started making a stride into the US market, and just for everyone to understand how that market works - Europe and Canada and UK work much more through grants when it comes to animation, and from our point of view we are looking at US because the decision-making process is quicker. So we are quite bullish about the animation business as we go forward, as part of our small screen television growth.

In movies, I think we have really been able to arrive with the integrated model which is production, marketing, and distribution, and in the first quarter if you look at the Indian theatrical box office, total box office collection, UTV movies represents 21% of the box office collection, which is a very interesting statistic compared to the fact that this is a very very fragmented industry, and this we have been able to achieve entirely from about three movies that we did, one of which is our own production, and two that we distributed. One called Kya Kool Hai Hum, and the second one being Parineeta. What we have been able to do is to solidify our distribution model, both on a nation wide basis and internationally, and I think we have had a very good first mover advantage.

Internationally, therefore there are only three really strong players, the other two players have been in business for more than 10 to 25 years. So that is an interesting model that will help us leverage the entire movie market.

In television, I think the first quarter was definitely slow both in terms of the fact that in our air time sales model we had one show that kind of after three year run ended its natural run on SUN TV, and therefore we needed sometimes to regroup and look at more acquisitions in south Indian language.

In our television content business many of our shows are in the production stage, and we should see some of them coming on air by the end of the second quarter and the rest into the third quarter this year.

Overall in terms of joint venture of our company with Hungama, there has been a good progress as far as that is concerned. It is a seven channel environment basically, and in May our ratings moved to the #2 position. Our connectivity is definitely robust with our star distribution platform, and for us to be able to actually do that in eight months while the other players below us are in operation for either year or five years is something that we have been able to establish quite well both as a combination of programming and marketing. So that sort of gives you an overall summary and we would be happy now to go into taking specific questions both on strategy and/or on any other....

Moderator: Thank you very much sir, we will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1. Our first question comes from Mr. Deepak of **ECG** Share and Stock broking.

Deepak: Hello.

Ronnie Screwvala: Hello. Yes, go ahead.

Deepak: First of all good morning to everybody.

Ronnie Screwvala: Good morning.

Deepak: Sir, when we look into your first quarter results, definitely there is no comparison on a year on year basis, but still when you look after this, all the three divisions that you talk about - film, television, and animation- you explained that why television and animation business has taken a hit because of the production that you started with, but in the film divisions, though the revenues have actually increased, the margins have also come down from around 49% to around 19%. So my first question would be if you could please throw some light on why the margins on the films division are coming down from that perspective. And my second question would be in the animation segment, you said

that you are making slides from 2D to 3D, and similarly I saw that your capital employed for animation business has gone up from around Rs 22 crores to around Rs 65 crores, so can you throw light on how do you plan, and now what would be the return on capital employed that you look forward to generating from this segment?

Ronnie Screwvala: Yeah, I think to answer your questions one by one. The reduction in margins on film business, in the last quarter which is Q4 of last year, we had revenues and income from one of our library deals, Miramax library transaction, which is not there in this quarter which is primarily the reason why the margins are lower this time. Second, on capital employed in television segment...

Deepak: No, animation sir...

Ronnie Screwvala: The figure for capital employed in animation is not quoted anywhere, so we don't know from where you arrived at this figure of Rs 20 crores odd that you mentioned. In the overall thought process as far as animation, there isn't that kind of level of investment in the animation business at all.

Deepak: Okay, then can you explain how would you exploit the Miramax library that you have going forward for the year?

Ronnie Screwvala: Yeah, what we have done last year in the last quarter is one single exploitation where we have sold part of the library to one of the broadcasters for exploitation on the channel for three years. What we have is, rights for 10 years on television, theatrical exhibition, and also home video. We still have to exploit theatrical exhibition and home video. We still have to exploit half the library on television, part of which will come during the year...

Deepak: When can we expect that, second quarter or maybe third quarter...?

Ronnie Screwvala: It will be partly in the second quarter and partly in the third quarter, but just to add to that thought process, if you look at our movie business, to compare it just with the last preceding quarter because of the Miramax may not be appropriate, but if you look at the last year in totality that would be more accurate representation for your analysis.

Deepak: Exactly, right sir.

Ronnie Screwvala: Thank you very much.

Moderator: Thank you sir. Participants who wish to ask questions may please press *1. Next in line we have Mr. Shetty from Kotak PMS.

Sadanand Shetty: Hello. What is your revenue run rate and cost run rate per month for Hungama Kids channel?

Ronnie Screwvala: In advertising our run rate right now is about 60 lakhs, which is going up month from month, and pay revenues will start kicking in from July. It has not been accounted for, right now it is only advertising, and our overall cost is about three crores per month.

Sadanand Shetty: And what would be the agreement going forward on the pay revenue, what could be the **a la carte** pay you are going to get?

Ronnie Screwvala: Our arrangement with Star is that they keep 50%, we share 50:50 of our pro rata share either in bouquet or in a la carte.

Sadanand Shetty: I believe you made a significant stride in terms of channel share in that segment, could you just throw some perspective on that?

Ronnie Screwvala: Yeah, well if you look at overall ranking and the overall space, in the gross rating point, we have moved up. Overall in gross rating point in channel share, for example, if Star Plus which is by far the number one channel has a gross rating points of around 500, we are in the 93 or 95 range. If you were to do a comparison, the overall channel share and gross rating points for Hungama are larger than any movie channel, any music channel, or any news channel in this space today, and this is in the segments that we operate.

Sadanand Shetty: Okay, will this be reflecting on your advertising rate?

Ronnie Screwvala: It is a slow process, you need to understand that we are in a market which is going to look at as much as the news segment was maybe five years back, you need to look at the fact that right now advertisers need to take a focus on finding much more effective buys when they are looking at, or targeting this audience of 4 to 14. So it is a slow process of concept selling with the advertisers.

Sadanand Shetty: Okay. I have one more question, you have applied for up-linking of two more channels, I believe actually you are trying to fragment larger youth genre, can you throw some light on that?

Ronnie Screwvala: Yeah, actually the application is only just a preemptive step right now because obviously it sometimes takes between six months to year to get our up linking, but essentially we believe that the 4 to 14 space actually represents three different age groups and generations in the youth segment, and that is excluding the gender difference between boys and girls as a skew in terms of viewing pattern. So essentially right now we are undertaking massive national research between the needs and wants of the 4 to 9 year old compared to 10 of 14 year old, versus boys versus girls, versus animation versus live action, and that will formulate our strategy for expanding and claiming more real estate rights in the cable space for the kids segment.

Sadanand Shetty: Okay, advertising depth is enough to support for these new two channels?

Ronnie Screwvala: What actually happens here is that we believe that the incremental cost we would like to look at more from a pay revenue point of view because the kids network are being a very good draw for pay revenue.

Sadanand Shetty: And what would be the distribution strategy for additional channels going forward?

Ronnie Screwvala: It will be with the Star bouquet.

Sadanand Shetty: Okay, thank you very much.

Ronnie Screwvala: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1. We have a follow up question from Mr. Shetty of Kotak PMS.

Sadanand Shetty: I would like to understand the kind of capital you would employ this year for distribution of movies, basically third party films?

Ronnie Screwvala: Yeah, I think we will at any point of time probably have two or three movie distribution projects tied up for the future. On an average not more than 10 crores invested in terms of film distribution project.

Sadanand Shetty: Okay, and what is your slate of production right now, and the state of release pipeline?

Ronnie Screwvala: Well, we have given that whole detail in our ads, specifically in the release, which also contains our entire list of productions and distributions, and that is pretty much what is confirmed, we have lot more in the pipeline but that we cannot talk about unless confirmed.

Sadanand Shetty: Okay, and what is the status of Name Sake?

Ronnie Screwvala: Name Sake, the shooting is completely over, and we are looking at seeing an overall director's cut in the third quarter this year, and we are looking at possibly May and June at the Cannes film festival.

Sadanand Shetty: Okay, have you tied up for distribution arrangement globally for this movie?

Ronnie Screwvala: Yeah with 20th Century Fox.

Sadanand Shetty: And what kind of Revenues you would be looking at.

Ronnie Screwvala: After the movie gets seen, Fox will assess that, and then we will look at that. Too early to say.

Sadanand Shetty: Okay, thank you very much.

Ronnie Screwvala: Thank you.

Moderator: Thank you sir. Participants who wish to ask questions, may please press *1. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. Amit Banka.

Amit Banka: Thank you everybody for participating in the call. Our team will be regularly in touch with you for updates. Thank you so much, bye bye.

Moderator: Thank you sir. Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.
