



Movies • Interactive • Television • Broadcasting • New Media

UTV Software Communications Limited

INVESTOR CALL – JULY 29, 2008
RESULTS - QTR ENDED JUNE 30, 2008

Moderator:

Good morning ladies and gentlemen. Thank you for standing by. This is *Rekha* the Moderator for your conference call today. Welcome to the post result conference call of *UTV Software Communications Ltd*, hosted by *Prabhudas Lilladher*. At this moment all participants are in a listen only mode. Later we will conduct a question and answer session. At that time if you have a question please press * and 1. I would now like to turn the conference over to *Mr. Apurva Shah* from *Prabhudas Lilladher*. Thank you and over to you Sir.

Apurva:

Thank you Moderator. First of all on behalf of *Prabhudas Lilladher* I would like to congratulate the management for their Q1FY09 results. From the management today we have *Ronnie*, CEO, *Mr. G. Chandrasekhar*, CFO and *Mr. Amit Banka*, Senior Vice President, Business Development and Strategy. I would now like to pass on the floor to *Ronnie* to discuss with us the results for the quarter. Over to you sir.

Ronnie:

Thank you. Good afternoon everybody and thank you for joining us on this call. I think today I might take a little longer. I think we need to cover some more ground. So I will try and make this easy by going a little slower. The first part of the results of the first quarter, which I think most of you must have already read is that, we have recorded 143% growth on our top line year on year and at the PAT level also we have seen a good rise so far. I think if you were with us in the last quarter we had said that exponential growth this year would be between 85-100% on our annual growth. We are pleased to say that we have set the trend for the growth this year along our 5 verticals. To just do this, for those who do not track us on a day to day basis, for both the *Disney* transactions, we have got in the relevant approval and *Disney* investments have been completed and the money into the parent company is fully in. The promoter warrants is also completed to the extent of 10% that the promoters needed to put in to establish their right to take the promoter warrants. As an update overall, the other investment of *Disney* making direct investments into *UTV Global Broadcasting*, which will be our broadcasting subsidiary where we were waiting for FIPB approval, we have just got a couple of days back. So we anticipate by first week of August we would have closed the transaction where *Disney* will be making a Rs 120 crore investment. *UTV* will then look at Rs. 240 crore investment and the shareholding as has been contemplated in the past would be 75% as a *UTV* subsidiary, 15% with *Disney* and 10% with the promoter group.

To move on to the 5 segments where 4 of our 4 segments have been reported this quarter and broadcasting will get consolidated in the next quarter as the fifth segment. So going through each specific segment with no specific order of importance, in television we recorded a total of Rs 25.6 crores as the revenue contribution from the total of Rs 135 crores. That is primarily because of our shows and our A&S model and that is pretty much in line with what we had estimated. In the movies, it contributes a larger part on the first quarter revenue mix, it is a combination of the fact resulting from a lot of questions asked in the last quarter where we have released both *Jodhaa Akbar* and *Race* theatrically, but the other revenues from *Jodhaa Akbar* and *Race* have come into this quarter in terms of the other exploitation rights. And the third movie in the movie spectrum is a small movie we released called *Aamir*. Outside of that but not reflected in our financials is the fact that we did release the *M. Night Shyamalan's* co-production *The Twentieth Century Fox* which got released on the 13th of June worldwide. Obviously there is no reflection of their revenues in any form in this quarter and will not be in this financial year, the revenues will start flowing only in the next financial year because that is how the entire Hollywood model works. Normally 30% of the entire revenue comes from theatrical revenue and 40% from home video worldwide and about 30% from television. For the box office the movie continues to run in theatres worldwide. But broadly we are seeing a situation where we will end international box office in 90 Million US dollars and US domestic about 65 million US dollars. So we have about 155 million US dollars from theatrical box office. If anyone has got questions when we come to Q n A we can answer that.

On the interactive which is the gaming vertical the revenues are subdued and at an EBITDA level we have a loss though we are looking at an annualized basis for the division to be fine and as projected. In the first quarter in most of these games we are making investments, specifically in Indiagames and the GOD concept which is an online gaming concept, where the subscription base keeps on increasing and we are focused on that. As far as Ignition goes, outside of the publishing revenues that we see here, the other aspects of the negative would be when we are look at the three intellectual properties that we are creating at the three different facilities for our various games, one in London, one in Tokyo and one in Florida.

Our Fourth vertical is new media, which has been initiated only effective May, so for 2 months, essentially the vertical for us now represents us in the Internet space and the digital space and basically outside all our content that we generate in all our verticals. In some way or the other we look at the revenue mine on the internet space and it is an independent model for the internet and also the digital space and when we say digital space it means audio and music for example in the last two months we made overall acquisitions and rights for over 15,000 songs in the catalogue and finishing stage for the mobile platform.

Lastly I take this opportunity to update you on broadcasting. Number 1 as I said, the next quarter you will see consolidation of broadcasting into the consolidated revenues of *UTV*. 2, overall as the head line we will see that by the end of the year the broadcasting vertical will contribute between Rs 150-170 crores on the top line. Obviously this will have a negative on the P&L which we estimate on a consolidated basis for a period of 8 months to be roughly around Rs 50 crores. We may have a deferred tax asset arising out of the entire venture and the deferred tax asset on our P&L on the PAT basis, with the extent of a Rs 50 crore loss whereby at a consolidated level it may not create a negative, otherwise broadcasting definitely will have about Rs 50 crores negative. The total investments into this therefore is Rs 240 crores, *Disney* is putting in another Rs 120 crores, which totals to Rs 360 crores. We are looking at an overall outlay of Rs 560 crores and the balance Rs 200 crores could be from some kind of debt and some kind of liquidations that we may have as we go forward. For many of you I think the general perception is that there are 2 channels launching every month. In such a market I think we are very clear of our strategy with what we have done ever since we initiated and our offerings are therefore in the youth space with *Bindaas* and the movie space and actually we have a very unique offering in the movie space in 1, *Bindaas* movies which is pretty much the best of Hollywood movies dubbed in Hindi. I think it is important to note that there are two Hollywood channels in the country, i.e. *Star Movies* and *HBO* and *Bindaas Movies* has a GRP rating that is identified above these two Hollywood channels. It therefore becomes the no.1 Hollywood channel in India. 2, the *World Movies* channel which we thought is going to be an interesting niche and which is watched by the audience which is the high net worth individuals and the third is the recently launched Hindi movies channel, which is *UTV Movies* which I think has warmed up over the last 4 months quite well. There are some interesting tracks on that as we premiere one of our movies, *Jodhaa Akbar* on that. In the general entertainment space though you have the new channels launched like *9X* and *NDTV Imagine* and now *Colors*. This is the stage where we believe there won't be any clear winners in the next few years. So even if the channels land and they do a GRP between 25-100 GRPs, the difficult one is to monetize even at that level, given the costs they have invested. So I would say the investment in the launch of a GEC channel could be almost at the range of Rs 200 crores for launch and then Rs 450-500 crores in the first year which is substantially more than the entire investment in the 4 channels that we are looking at today. So that is the kind of value that is being built and to finish overall we are on track for what we think would be an 85-100% overall growth as we go forward to this year, between all the 5 verticals.

In terms of funding I think the deadlines are as follows: as of 30th June, we have cash of about Rs 256 crores and debt of about Rs 106 crores. Broadly the money that has been received in the first tranche which is about Rs 800 crores has gone into broadcasting, increase in working capital in motion

pictures, to a certain extent in our gaming vertical and new media. Going forward therefore I think it is important for us to state here that we are looking at higher growth level being reached in our businesses. We believe that out of broadcasting Rs 200 crores can come from a liquidity event; we believe that motion pictures also has the ability to double up where in any case a 100% growth of last year is there. Some of you may have read this, we have an in principle approval to look at augmented investment in the gaming space which is a combination of 4 things, for which we have got an outlay of about 75 million dollars. Outside of mobile gaming with *Indiagames* and console gaming space with *Ignition*, there are 4 initiatives. We have been very keen on the online gaming space which we believe is definitely high potential in the Asian countries and therefore that is an important initiative where we are looking at a ground up initiative in the online gaming space. We are looking at an investment and an M&A into a mobile content aggregator. By aggregator what I mean in this context is that, globally mobile companies don't want to deal with individual game suppliers and therefore they look at 3-4 key aggregators and therefore this aggregator M&A potential is what we are looking at in North America. The third is to take our 70% stake in *Ignition* up to 95% as we go and make further investment into our games, we believe that we might just consolidate at this level than 2 years down the line and 4th is the working capital for the three games, very high end games that we have been developing in our own facilities as I mentioned earlier in Florida, London and Tokyo. Overall there are some questions from time to time from people about how the *Disney* synergy will work, I am going to address that in a couple of ways. So number 1 would be the actual separate investment into broadcasting, number 2 will be, *ABC* which is a *Disney* 100% group company, tie up with UTV news. Third starting on the initiatives which we will augment in the motion pictures part and as a first they have taken the DVD rights of one of our international titles which we have done that is *Taare Zameen Par* and I would say over the next 50-90 days there are two more production initiatives that we are working on, so total 5 initiatives within about 5 months to come together. I think our focus also as we grow the business is to be international where I am pleased to report now that in our overall staff strength of around 1,000 people, 250 are employed outside of India in some form or the other. A lot of them in our gaming business, in our facilities in the gaming business and elsewhere and the second would be in our motion pictures business primarily due to distribution and a little bit of origination of production.

Two things to end this before we get into a Q n A would be that I personally have received some questions about the fact that at the time when we were consolidating with *Disney*, the promoter group had done a sale of 250,000 shares. I just want to address that. As a first generation entrepreneur there hasn't been any liquidity from my side, and therefore for a couple of reasons and to top up some of the margin money that I need to do under warrants and other reasons there was

a sale. However, this was pre-cleared with *Disney* at the time of our shareholder's agreement to a maximum of 250 thousand shares. On a consolidated basis therefore I think it is important for everyone to realize that with the model that we are pursuing, we believe right now, that most of the media companies today in the integrated media space are unlocking value or demerging, actually what we have done is, consolidated all our interests. The promoters' interest also is not in multiple companies, all of them are in one company. In the same context therefore we are in a consolidated play, all the interests of everyone investing into *UTV* is for all the verticals and not necessarily into demerged entities and I think in that context that this will stand for the next 24-30 months. After which we will look at unlocking values but only at a high level of maturity. So with that I give this back to the coordinator to welcome Q n A. Thank you.

Moderator:

Thank you very much Sir. Let us know begin the Q n A interactive session. This is the 1st question from *Mr. Dipen Mehta* of *Dipen Mehta Shares*. Please proceed, Sir.

Dipen:

Congratulations Sir on a great set of numbers.

Ronnie:

Thank you.

Dipen

Just wanted to know the revenues which came from the movie business, which were the titles which contributed mainly.

Ronnie:

Jodhaa Akbar and *Race*

Dipen

How much would it be?

Ronnie:

Jodhaa Akbar would be about Rs 35 crores and *Race* Rs 44 crores

Dipen

Also just wanted to understand that in the broadcasting venture Rs 120 crores is what *Disney* will bring for 25%?

Ronnie:

That is 15%.

Dipen:

Rs 240 crores is direct investment from *UTV* and therefore the balance, how much would come from the promoter directly?

Ronnie:

That has already been put in the beginning. That is how it was incorporated and that is how we put it all into *UTV*.

Dipen:

Rs 360 crores at the capital level.

Ronnie:

Yes share capital and share premium.

Dipen:

And Rs 200 crores is the anticipated debt.

Ronnie:

Yes going forward, or we will look for a liquidity event.

Dipen:

If you go for equity.

- Ronnie:** Yes, but at this point there is no final decision on that, we will confirm that.
- Dipen:** One last question, the *UTV* news venture that remains promoter business. Am I right?
- Ronnie:** What has contemplated is that we are going to the FIPB for approval for *UTV* to invest 20% into news. As you know *UTV* is more than 51% foreign owned with the FIIs and *Disney* and therefore there is this media cap of 26% overall and because in news, any one single individual Indian company has to own 51%.
- Dipen:** So how would the equity of that company work?
- Ronnie:** 20% *UTV* and 80% promoter group. Till there is a further dilution.
- Dipen:** Total investment in this company would be how much? 100% would mean?
- Ronnie:** *UTV's* investment in news is capped at Rs 40 crores for 20%.
- Dipen:** And this will not come under the consolidation?
- Ronnie:** News will not be consolidated for 20% there is no need to consolidate.
- Dipen:** Thank you. I have some more questions, I will come back again.
- Moderator:** Thank you very much sir. Next question from *Ms. Uma John* from *Centrum Broking*.
- Uma John:** Congratulations on those numbers sir.
- Ronnie:** Thank you.
- Uma John:** Any strategy on going forward?
- Ronnie:** If I can anticipate what your question is then I would say broadly we have created a model with an origination in each of these five verticals which are very synergistic and represent an integrated model. Right now over the next 2 years, our focus is to grow each of these verticals to the size we want them to be in.
- Uma John:** Thank you sir.
- Moderator:** Thank you very much sir. Next question is from *Mr. Aditya* from *Citigroup*.
- Aditya:** My question is regarding the television vertical, if you see the television margins, they are actually quite down. The EBITDA margin is just about 3% and if the figures are on a QoQ basis or YoY basis. The YoY basis, it is 19% down. What is the reason is it high cost of production or something else?

- Ronnie:** Two things actually, one is, we have launched two new shows which take time to develop and two is, last year, if you know in our revenues we had got a jump in the quarter last year because we were going for syndication and there is no syndication in this quarter. Syndication of course has a high margin because there are no direct costs.
- Aditya:** Another question about the capital employed? The capital employed has gone up. How much of this would be cash because there is unallocated segment of about Rs 61,173 lakhs. Do we have a cash component in this?
- Ronnie:** Yes we have a cash component in this. Total cash is about Rs. 256 crores.
- Aditya:** All right. Thank you.
- Moderator:** Thank you very much sir. Next question from *Mr.Nainesh* from *TATA Mutual fund*.
- Nainesh:** Good evening Sir, just a couple of questions. Wanted to know how much of the cost has been taken as far as *Race* is concerned in this quarter and for *Jodhaa Akbar* how much have you totally considered over the past two quarters?
- Ronnie:** It goes according to the rights. So if we are selling home video rights, satellite rights. The proportionate revenue to cost is how we would do it so on both these movies now these costs are expensed out.
- Nainesh:** Both of these are expensed?
- Ronnie:** Yes.
- Nainesh:** Second question was on your international movie, *M Night Shyamalan* movie, will you please give us a recap of total kind of agreement with *Century Fox* over the revenue flow over what sort of a cash structure is there if you could elaborate?
- Ronnie:** It is little complicated. But let me just brief in as much in a nutshell. It is about 60 million dollars cost which will come down to 54 million because we are getting some tax rebates from the Philadelphia government. Number 2, essentially if you look at 150 million dollars theatrical release 50% goes to the exhibitors and 50% comes to the distributor/producer in this case, which is *Fox* and *UTV*. We will get about 75 million dollars there. From that 75 million dollars *Fox* distribution fee plus all the world wide print and marketing costs get expensed.
- Nainesh:** So how much would that distribution fee be?
- Ronnie:** The ball park figure would be around close to the range of about 50-60 million US dollars.
- Nainesh:** 50-60 million US dollars. Out of this 75 million dollars?

- Ronnie:** Basically what you got left is the 15 million USD contribution towards your 55 million USD cost of production.
- Nainesh:** Sorry come back again sir.
- Ronnie:** Therefore the total contribution that is net after recovery of marketing and print is about 15 million dollars.
- Nainesh:** Which will be distributed between you and...?
- Ronnie:** No, one sec. So that 15 million dollars is your contribution towards the cost of production of 55 million dollars. So you have a gap of 40 million dollars recovery. Now all that theatrical is 30% overall. Therefore in home video, if you look at the bench mark, what happens is that we anticipate the home video and television both would be in the range of between 90-100 million dollars each as you go forward. In that context a bulk of that will come straight to the producer/distributor. Because unlike theatrical where we share a 50% component with the exhibitor and B) high component of initial marketing because its all expense to the theatrical version only, the incremental marketing for television and home video is much less. Home video adds some direct costs which is a re-launch of a marketing campaign plus cost of goods and services. And satellite has pretty much no direct cost. So if you take all these into consideration that's how goes the economics. Its too premature right now to tell you what the final figures would come to. But that is the maximum we can track at this date.
- Nainesh:** So just wanted to understand, in your subsidiary how much of cost would actually come in and how much of losses would come in at this point of time? The costs would be 30 million dollars.
- Ronnie:** So the first time we put a cost on *The Happening* would be when we book our first revenue.
- Nainesh:** Ok but the cost would be what, 30 million USD, right?
- Ronnie:** It would be 30 million USD, correct.
- Nainesh:** Alright sir. Just wanted to get that confirmed.
- Ronnie:** It is a balance sheet item till the revenue starts getting recognized.
- Nainesh:** No issues at all. Thank you very much. If there is anything I will come back later.
- Moderator:** Thank you very much sir. Next question is from *Mr. Saurabh of Kotak Securities*.
- Saurabh:** Good afternoon *Ronnie*. Congrats on the good set of numbers to the team. Just one question I had on the tax rate. I wanted to understand your tax rates have been quite low. Just

wanted some clarity on that what would be the guidance for this fiscal tax rate?

Ronnie: A, we have some carry forward losses, and B, on the movies part essentially a lot of that is from overseas in that context and we do have the UK Company which has a subsidiary in Mauritius. We have a tax structure in there from that point of view. It is therefore eligible as per those tax structure laws. It's a striking combination of those two which brings us to the level at what you are looking at right now.

Saurabh: So you are looking at some sort of tax out go rates going forward or you think this will go up?

Ronnie: Not this year because we do have a deferred tax asset also coming up from our broadcasting when it comes in.

Saurabh: Ok just a second question on the margin outlook for the TV business as such as the previous participant discussed it is down to 3% as against average 18% last fiscal. So for an average over FY09 do we see recovery of margins?

Ronnie: I think the margins that we are looking at overall on television will be 11-15%.

Saurabh: OK right. Thank you so much. I will come back later.

Moderator: Thank you very much sir. Next question from *Mr Venkatesh* from *Edelweiss*.

Venkatesh: Hello. My questions have already been answered. Thanks a lot.

Moderator: Thank you very much sir. Next question from *Ankur Arora* from *ING Investment Management*.

Ankur: Just a small question on, actually I might have missed this part earlier as well but can you just throw some light why there have been losses in the gaming segment of around 36 crores compared to a profit of Rs 43 crores last year?

Ronnie: It is Rs 3.6 crores, not Rs 36 crores. On an annualized basis we see that it is not been there and I think 2 points that I mentioned here. The development was that what we do on our IP's and games in *Ignition* get expensed every quarter. So the cycles may vary. A lot more of our releases happen in the Christmas quarter for example. So it is heavily loaded in Q3 and Q4. And in India games it is the marketing and the spend that we are doing to increase the subscription base in our online GOD model i.e. Games on demand model.

Ankur: Another question. Previously when you said in television segment you have launched 2 new programs, which were those?

Ronnie: On *Zee*, *Ek Se Bhadkar Ek* on Saturdays. And on *Colors* we have a program that's launching in the next 2 months.

- Ankur:** Alright. I will probably come back later if I have any more questions. Thank you.
- Moderator:** Thank you very much sir. Next question from *Ritesh* from *Dolat Capital*.
- Ritesh:** Good evening sir. Do we have any commercialization left of *Jodhaa Akbar* and *Race* any longer?
- Ronnie:** For the first revenue cycle, no.
- Ritesh:** So if we can have combined revenue, and EBITDA out of these 2 movies is it possible to get some info on that?
- Ronnie:** I am not sure that I can give it to you right now on the phone but you could mail *Amit Banka* at *amitb@utvnet.com*. I am sure he will be able to give the answer.
- Ritesh:** Just a quick one. In Q4FY08 revenue of Rs 110 crore in film segment, was it because of *Jodhaa Akbar* and *Race* or only *Jodhaa Akbar*?
- Ronnie:** No it was *Jodhaa Akbar* and *Race*. Theatrical on *Race* was counted there and some of the others were counted in this quarter, which is why when we had quite a few questions in the fourth quarter, we had said that we have got to look at Q4 and Q1 together when we are looking at these 2 movies.
- Ritesh:** My question has been answered. Thank you.
- Moderator:** Thank you very much sir. Next question is from *Tanu* from *Quantum AMC*.
- Tanu:** Hello. My first question is on the Interactive side. On the annualized basis what is the kind of EBITDA margins we can look at? In FY09 and subsequent in the steady state?
- Ronnie:** 20%.
- Tanu:** 20% on steady state or in FY09 itself?
- Ronnie:** 20% on FY09 which would represent a steady state except that in 09-10, we have 3 original content IPs that is actually going to take the overall mix to quite a large level. So assuming that they do well, then it will be 20% plus, plus. So I think the answer you are seeking is that the margins are 20% in the publishing business and in the *India Games* model except in years where we have got the original content releasing in which case it will be different.
- Tanu:** And in your notes there is some acquisition that you have made. One is some *First Future Agri Developers* and second is some *RB Entertainment*? Could you elaborate a bit on both of them?

- Ronnie:** I think the first one is really for properties so it's just necessarily buying the property in the holding company. That's just the property acquisition.
- Tanu:** I couldn't get that. Please say that again.
- Ronnie:** I said it's a property acquisition. Instead of buying property what we have bought is the structure in the company rather than buying the actual asset of the property. And the second one. What is the other company that you said?
- Tanu:** *RB Entertainment.*
- Ronnie:** That's for TV production JV. For TV content production.
- Tanu:** Is that the one with *Shekhar Suman* or no?
- Ronnie:** No. this is with a gentleman called *Rajesh Beri*. That's why *RB*.
- Tanu:** Alright and during the call you gave some numbers on broadcasting. Just wanted to know does that represent your 85% stake or is it a 100%?
- Ronnie:** It represents a 100% stake.
- Tanu:** The Rs 150-170 crore topline that you said.
- Ronnie:** That is correct and it is 75% of the consolidated level. Not 85%.
- Tanu:** 15% would be?
- Ronnie:** The share holding structure for broadcasting is 75% UTV and 15% *Disney* and 10% the original promoters who founded it.
- Tanu:** So this was 100% right? Alright. Thank you so much.
- Moderator:** Thank you very much. Next question comes from Ms. *Avni Shah* from *Prime Securities*.
- Avni:** Good evening sir. Congratulations on the good set of numbers. I just liked to know in terms of movie business what is the top line you are looking forward to in FY09?
- Ronnie:** I said we are looking at 100% growth. So if you were looking at last years base of about Rs 175 –180 crores then we are looking at a base of around Rs 360-380 crores at least in that context.
- Avni:** And how many movies will be produced by *UTV* this year?
- Ronnie:** We will be releasing about 12 movies totally.
- Avni:** It will be totally produced by *UTV* or it also includes distribution movies?

- Ronnie:** We don't do distribution in the sense of what we would term it 5 years back because either we are completely having produced the movie or co producing it or we have picked up the negative rights for it. And therefore in a sense it is like producing it.
- Avni:** Ok and what will be the cost of these 12 movies on an average?
- Ronnie:** That would be very broad for me to give you a range because I don't think that would be a fair comment for me to make.
- Avni:** Still any in terms of capex if you have a number or something?
- Ronnie:** What will be the capital expenditure? It's a growing cost from that point of view but I think again the question here is the range is varied, when we are making movies, *Aamir* made at a very low cost or our range would be like Rs 2 - 75 crores. So if we are looking at that range it is almost impossible for me to give you an articulate number on that.
- Avni:** Right sir and movies in the segment contributes roughly how much in the top line?
- Ronnie:** As mentioned a little in the initial conversation, this year I expect overall when we are looking at 100% pie, 40% would come from movies, 20% from gaming, about 14-15% from broadcasting, about 20% from TV content and about 5-6% from new media which is internet and the digital space.
- Moderator:** Thank you. Next question comes from *Mr. Deepak* from *Future Capital*. *Mr. Deepak*, sir you may go ahead with the question.
- Srinivasan:** Hi. This is *Srinivasan* here. Just needed some clarity on *The Happening* where you mentioned some numbers. If I get it right you had a net of about 15 million dollars on theatrical and DVD and satellite each 90 million dollars. Of 50 million dollars you will get half of theatrical and DVD and satellite, how much will?
- Ronnie:** We are 50-50 till perpetuity but all I am saying is at this point it is premature to run the math on the 90-90 million. Because against that comes direct cost also. So I have given you a trajectory, because it's a big movie I don't want to get into projecting it. Obviously we are looking at it in a positive frame completely and absolutely, I think we are happy with the progress done. So at this stage to break up that 90-90 on a return basis is difficult for us to ascertain to understand the direct cost because this is the first time we are doing a Hollywood movie at this stage.
- Srinivasan:** But whats the general trend in DVD? Whats the margins like, 60, 80, 90, 40?
- Ronnie:** Between 55-60% we are adding.

- Srinivasan:** And satellite would be higher?
- Ronnie:** Would be around 80% we are adding.
- Srinivasan:** Just to take this a little further. The DVD and satellite sales proportion would obviously be a function of how good the movie does.
- Ronnie:** Which is why I have come to the extrapolation of 80 because it is based on the 155 million box office.
- Srinivasan:** Ok so could you give us a sense of the movie, atleast the perception is that *The Happening* has not done well worldwide. Collections maybe, the function of cost, what margins you made might be different. Could you give a sense of what DVD absolute collections would be? Because somewhere that I have read that *Spiderman 3* for example collected just 120 million dollars in DVD sales. So 90 isn't it a little too optimistic for a movie that has not done well?
- Ronnie:** I am not sure where you got that perception from because if it is from critical reviews it's quite irrelevant. For example *The Raiders of the Lost Ark* had got worse reviews than *The Happening* and it has now done 786 million dollars world wide. So perception based on *Mumbai Mirror* and *Mid Day* doesn't necessarily make movies. Same from other tabloids in the UK and everywhere else.
- Srinivasan:** We could talk about some movies.
- Ronnie:** But to correct your statistics as far as *Superman* is concerned, *Spiderman*. See there are 2 statistics, one is US domestic and rest of the world. Now here if you look at this trajectory which is the same when it comes to *Spiderman* or *Batman* or any other franchise or superhero movie, *M Nights* following always is that he has had about 120% worldwide to domestic. 90% of the US movies do 80-90% of their box office in the US and about 10-20% internationally. *M Night* franchise is much higher worldwide outside of the US which is why if you see the box office or the composition of the 155 million, 90 is coming from worldwide and 65 is coming from the US. Normally if it was a 150 million USD movie the overall in box office, for anything else that came out of the US, it would be 130 in the US and 20 million internationally. So if you take that into consideration, then your entire home video market worldwide has a different trajectory to US domestic.
- Srinivasan:** *Spiderman* would have been primarily in US?
- Ronnie:** That's statistically not there. I think it would be the first 8 weeks, because it would run much more than that. It really depends on what curve you got the information on and it would definitely be for US domestic.
- Srinivasan:** Strategically what does this movie mean for you in terms of you taking up more such global movies?

- Ronnie:** I think we are very clear. We are not unanimous in any context of Hollywood model to that extent. We will look at this very circumspectly on a movie to movie basis. We do not therefore have 4 more movies lined up in Hollywood, not at all. We don't even have 1. So we will look at it from a movie to movie basis.
- Srinivasan** But in terms of the numbers that show up, 55 million USD investment, we are looking at a payback of phenomenal, lets say conservatively close to 200 million.
- Ronnie:** We have been fortunate on this movie but I think we are trying to understand this to be a model because we are not in complete control of our destiny. We do stand behind a *Fox*. So I think as we go forward we would like to be a little bit more in control of our destiny like we are in all our other businesses.
- Srinivasan** Ok thanks.
- Moderator:** Thank you very much. Next question from *Neha* from *Angel Broking PMS*.
- Neha:** Hello. Good evening sir. Could you please comment on the competition that's coming, in the form of *Adlabs* and other such huge conglomerate in the media space and specially movies?
- Ronnie:** I think today genuinely speaking and not sounding suspicious I think atleast in some of the spaces in movies one should not be looking at the comparative space. Because one should be looking at of course the fact that everyone will grow in the market. So I think everyone needs to look at cup that is half full as compared to the cup that is half empty. But cup that is half empty, everyone thinks that the current costs are going through the roof and everyone is making money. It's a fair question. And the second is that there is a lot of competition because everyone is coming in with big money. I wouldn't say that there are too many people of them. There are definitely 1-2 key people with deep pockets and I think the benefit is that it is growing the overall market. Because you wouldn't have had the multiplex boom because at the end of the day, the theatre needs content. Television channels need content, DVD needs content, in that context. So what has happened is that the entire market has expanded. But I think for the next 3-4 years of course at an operational level on certain movies there would be some out bidding and some star would be out bid. But out of 118 movies your top 5 stars act only in 10 of them.
- Neha:** Right. You are looking at 12 movies a year. So how many movies can it go upto? Like how many movies could we produce in a year?
- Ronnie:** I think it will depend on a lot of things. We are 2 steps ahead of most people in that context but I just want to tell you that necessarily number of movies is not what we look at and

neither do we look at head count. So I think most of the time we constantly evaluate doing less for more in that context so it could be a different scale of movies. We have floated a set of separate banner on *UTV Spot Boy* which is much more different genre of movies. So we make investments into the future. We are doing a fair amount in the Tamil and Telugu states. I wouldn't consider growth to be going through 12-24 movies as much as the level of the movie.

Neha:

In your entire portfolio of movies there was some news about this movie, I am not too sure if I have got the name right called, Julie which was scrapped from the drawing table and there was some investment made into the movie. Is that true? And if it is do we have any provisions against if such things do happen?

Ronnie:

Yes. Firstly the name of the movie was called *Julia* which was the working title. Second is that we constantly make developments in projects where Rs 1-2 crores a year gets written off just in development. Development cost is normally for the writers who retain a fee or director signing fee, etc in that context. So its not like any movie goes shoots 20 days and then we scrap it. Because there is never been a track record for us to have ever done that before. And C, I would not believe anything I read in the *Mumbai Mirror*.

Neha:

Right sir.

Moderator:

Thank you very much. Here is a follow up question from *Mr. Dipen Mehta*.

Dipen

Ronnie, you said that your Rs 350-375 crores is 100 % increase in movies, but actually the movie is on a consolidated basis did Rs 263 crores last year so? It did Rs 180 crores standalone...

Ronnie:

Let me be absolutely articulate. I was giving the reference to context. We are looking at 100% growth overall. So I think we are looking at the Rs 400 crores range in the motion pictures part.

Dipen

That's for FY09 and would that include revenues from *The Happening* as well?

Ronnie:

Nothing from *The Happening*. Zero as I had mentioned that earlier. Basically what you have got is return on capital and then profits come in. So at this point of time for example the DVD cycle starts only 6 months later whereas in India, it starts 6 weeks after the movie release. We have just released the movie in Japan last week. So there is a lot that needs to be done in the theatrical sense. Then home video comes in the right season and at the right time with the right marketing. And after that television syndication starts. So the entire revenue cycle in Hollywood takes in 6 quarters minimum.

Dipen

That's a tall order, given that there are no major releases. We had a good run with *Race* and *Jodhaa Akbar* but next quarter

- looks pretty light in terms of *Kismat Konnection*. In the next quarter for the first 6 months?
- Ronnie:** If I interpret your question as how you are going to do 400 crores without *The Happening*?
- Dipen:** Yes exactly.
- Ronnie:** OK so that's a fair question. I can answer that question.
- Dipen:** The slate you announced only upto 19th September. Normally.
- Ronnie:** The rest of the year we have got *Fashion* with *Madhur Bhandarkar*, we have got *Dilli 6* with *Abhishek Bachan* and the next *Rakesh Mehra* movie after *Rang De Basanti*. We have got *Kaminey* with *Shahid Kapoor* and *Vishal Bhardwaj* and *Priyanka Chopra*. We have got *Mr. and Mrs. Khanna* with *Salman Khan* and *Kareena Kapoor*. And there are quite a few more. We have got a movie called *Dev D*, which is the modern day version of *Devdas*. We have got *Oye Lucky* which is by the same director who directed *Khosla ka Ghosla*. And all of these are getting released in between October and March.
- Dipen:** Is it possible for you to quantify that the total investment in these 12 movies which will be launched in FY09?
- Ronnie:** Sure. If we could do that off line. If you can just do that with Amit Banka, he will be happy to give you the full details and so with anybody else from this call.
- Dipen:** Ok thank you.
- Moderator:** Thank you very much. Next question from *Mr. Jinesh Shah* from *ILFS*.
- Tejas:** Sir, its *Tejas*. Just one question on your movie *Vertical*. Have we booked anything in, on *Aamir* this quarter?
- Ronnie:** Yes. It would be not very substantial, Rs 2.8 crores in the top line.
- Tejas:** Just wanted to understand since we have shown *Aamir* on *UTV Movies* so have we booked any satellite revenue on that?
- Ronnie:** No but we will syndicate that over a period of time and also to other channels. So in all our satellite concepts we are looking it at selling it to not less than 3 channels.
- Tejas:** Ok and same would be for *Jodhaa Akbar* also?
- Ronnie:** It should for all the movies yes. Not less than 3 and upto 5 channels.
- Tejas:** Are we like giving priority to *UTV Movies* in that sense? Will we be showing *Jodhaa Akbar* first on *UTV Movies* and then on other channels or there is no any set format for that?

- Ronnie:** No I think the question is that obviously 1 of the 5 channels will be *UTV Movies*. But they go up on a very good arms length basis. So yes *Jodhaa Akbar* will be shown first on *UTV Movies*. But *Race* is not going be shown first on *UTV Movies*. So it really depends on how we work commerce and how we work with the various rights and who is offering what?
- Tejas:** Ok thanks a lot.
- Moderator:** Thank you very much. Next follow up question from *Aditya* from Citi group.
- Aditya:** Ronnie I wanted to understand your new media vertical. What are your targets for this and what are the investments that you have made in this?
- Ronnie:** Basically in the model there are 2-3 things. One, we are acquiring digital rights for movies. Like we started off with *Jodhaa Akbar*, we now have *Singh is King*. We have all the digital rights worldwide on that. And outside of original movies we are also buying catalogues which is why we have acquired about 15,000 songs overall. The second is obviously in our business news vertical, perhaps to look at a strong business site and there are a couple of dominant players there like *Moneycontrol.com* etc, but we also have some long haul players like *Myiris.com*. Only in the first 8 weeks we have overtaken them in many of our statistics when it comes to the financial vertical. And the third is to take all our entertainment from verticals whether its motion picture or *Bindass* brand and everything we are doing in *World Movies* and with the internet play on that; not just a website of the broadcasting entity but as a vertical business model. We are looking therefore at this year doing about Rs 35-40 crore of net business which is quite substantial. All the revenues will come from the subscription or advertising on the net of syndication there off. We are looking at the total investment in terms of working capital plus an acquisition of *ITNation* that we did which is our technology vertical in the net space to be between Rs 45-55 crores.
- Aditya:** And what about next year? What are your targets?
- Ronnie:** To be honest I will not be able to comment on that, where do we go next year because it really depends on how what our base is.
- Aditya:** Fair enough. Thank you. I am done.
- Moderator:** Thank you very much. Next follow up question comes from *Mr. Deepak* from *Future Capital*.
- Deepak:** Your top line from Q408 and Q109, were dominantly from the two movies *Race* and *Jodhaa Akbar*?
- Ronnie:** No. I would say that there was a fair amount of gaming in the in the last quarter. There was television which was reasonably robust.

- Deepak:** What I meant is from the movies.
- Ronnie:** Yes.
- Deepak:** Which was Rs 170 crores if I get the number right?
- Ronnie:** Between the 2 quarters. Ok.
- Deepak:** And the EBITDA cumulative for both the quarters has been Rs 35 crores. Now on one on one, your estimated total cost for both the films was Rs 110 crores. So my sense is that the EBITDA should be in the range of Rs 65 crores. What is the math? Am I getting something wrong? Because you have said that you commercially exploited the film, the first phase atleast. So there is no satellite right which is to be sold for any other film or any theatrical which is left.
- Ronnie:** Ok we will just sort that and come back to you. We have got your question. Let me see whether by this time we complete this if I can give you the answer on that.
- Deepak:** Ok thanks.
- Moderator:** Thank you sir. Next follow up question comes from *Saurabh* from *Kotak Securities*.
- Saurabh:** Thanks my question has already been answered.
- Moderator:** Thank you. Next question *Neha* from *Angel Broking PMS*.
- Neha:** Hello. Good evening. I just wanted to know. Last year we had about 860 odd employees and the total employee cost was about Rs 25 crores. So I was wondering if you could give me some clarity on the same? As in why is the quantum according to me Rs 25 crores would be less. Is that right in what I am thinking?
- Ronnie:** No. the point is this doesn't include the salaries of broadcasting. So I hope you are aware of that. It is in the other vertical. Therefore basically what you are seeing is movies and television. If you are looking at that in the consolidated basis movies and television and gaming, new media is new. And is therefore not there as of last year and nor is broadcasting. So to that extent, Rs 25 crores is definitely appropriate. So for example in movies we run staff of 25-30 people. So its not like we have a heavy staff trend based on the turn over of television production also it is quite lean and mean.
- Neha:** Sir if you could also tell me. We are in the TV content business. It acts like a B2B business model and it doesn't gel in with the strategy of the group. I was just wondering if we plan to continue with and what are the reasons for continuing the same business?
- Ronnie:** That's a very fair question. You are absolutely right. We only outsource service part of the business from that point of view.

I think one, it is something we understand very well. Two, because we are in the broadcasting business, it makes sense. There are some synergies therefore it is important for us. Three, we get to know a lot of trends overall when we are looking at the content part of the business, when we are looking at consumer trends. And fourth, I think I mentioned that in the last quarter also that we are looking at consolidating in this space and us necessarily understanding as being a good creative catalyst to see how we can actually grow this space, because even your number one player in this space is now pretty much maxed out and therefore there is scope for consolidation in this space. So for us the next level of staying in this is to have a consolidated play.

Neha:

And so seeing that your entire business model is B2C I might be wrong with juxtaposed my thinking onto what I think should eventually pan out. But what I kind of understand is *Bindass*, *Bindass Movies*, all the 4 channels and the people I talked to, I mean its really not picking up that well and even then what shows in revenues in terms of *Race* or *Kismat Konnection* or even for that matter *The Happening*, there is a vast difference between from what we see at the ground level and what's being reported. So just wanted to understand that?

Ronnie:

Ok so let me answer question in two parts. One, as far as *Bindass* is concerned your specific point would be actually what because there is a core range between 16-24 age group for that. Do you watch *MTV*?

Neha:

Yes I do.

Ronnie:

Ok so essentially whether you like it or not our ratings are above *MTV's*. Now *MTV's* been around for 9-10 years. We have been around for less than 10 months and we have already overtaken them as a channel. We have multiple advertisers on the base. I don't think you will be able to correlate or get any financials and say where is there a gap between what we see and what we get because we haven't reported any financials for that. So specifically as far as *Bindass* is concerned it is edgy content that needs to appeal to a certain age group. So if you are not in that age group, we have a lot of people coming to us and saying what is this? It's a fair question. And the point is that for something as edgy as *Bindass* if you are not alienating some, you are not going to be really liked by the others. That's how it works in life. If you noticed we have tracked similar questions raised to us in *Hungama* in the first 6-9 months of its existence as to why are we running so many original shows, why are we doing animated, and why are we having such little original content. For example. When there was *Cartoon Network* and whatever else. But it takes one or two shows to make that necessary difference. So as a learning curve we have realized necessarily for that core audience which is quite whimsical, for example non scripted shows work better than more. So are we in the process of contrary learning? Absolutely yes. The idea at the end of the day for *Bindass*, to arise is not just for a television

channel to arise but for an over all relatable icon to view, that we can use across multiple platforms. So that's why it takes 2-3 years net with obviously learning curves in between. So if there is a segment that when we did a movie, a program called *Saanp Seedi* or *Snakes and Ladders* in 1992 on *Zee TV* for 9 months all we got was brick bats because everyone hated that show. Everyone got dumped in the water and *Mohan Kapur*, if you remember. But it made the fortunes for *Zee TV*. So I would put our perspective in this light because this is subjective view point. Because A its an absolutely relevant point and there is no way I can counter that except to give you what we believe in and what we want to do. Because that's where we believe in long term value could be and we could be wrong also. I haven't quite answered your question on *Race* and *The Happening*, if you can just bluntly ask me the questions I will be happy to give you a blunt answer.

Neha: Sir from the reviews that we read and from general perception from the people that we know, I mean you kind of realize that the movie worth going for or no. So just from that sort of perception and how a movie, how do we end up making money on every movie that is shot? Just from the box office revenues.

Ronnie: We don't make money only from box office revenues.

Neha: I do understand that but we seem to be making, having the second highest grosser, highest grosser in 2008, so just trying to understand.

Ronnie: So if you go to any of the absolute reliable statistics sites you will see that *Race* has done Rs 68 crores in net box office and close to Rs 90 crores box office collection in India. And it's definitely been the 2nd highest opening ever outside of *Om Shanti Om*. This is statistically and factually proven. Reviews don't make a movie in that context. *Aamir* got four stars everywhere else. Its total collection is Rs 1-2 crores. So you need to look at it in that perspective. Sitting in Bombay doesn't necessarily represent the whole country in that context. But as I said *Aamir* got glowing reviews with Rs 2 crores of revenue, *Race* got 2 stars and 1 ½ stars and whether you like it or not got Rs 68 crores in revenue.

Neha: Alright sir I get that and just one last question. Could explain to me on the gaming side? On launching a game like the ones that we are looking to launch like *War Devil*, what kind of ROCE would we look in such a game and if you could give me some statistics if there is any international gaming company, what would be the profitability and the size in such company?

Ronnie: We are investing between 12-18 million dollars per game between the 3 games. One, is 18 million, one is 12 million, one is about 16-17. Each of them, therefore, in their own spectrum have break even quantities between 400,000-700,000 units with a retail price varying between \$39.99 and \$59.99. Basically the economics is that 50% of that 39.99,

59.99 which is \$40-\$60 comes to you and the balance 50% goes to the retailer margin and then there is the cost of developing, the cost of the goods, the marketing and the royalty that the console manufacturer *Nintendo, Microsoft or Sony* would charge. So that's your break even quantity. So the kind of games that we are making, we believe as a break even quantity they are quite easily achievable.

Neha: If you could give me a sense of any other international gaming company and the size of such a company?

Ronnie: Actually on that context there are as many content aggregators as there are content creators. But you have got companies from China, from Korea and from other countries and 1-2 recent companies that have been acquired for more than half a billion dollars with a top line of 40-80 million dollars only. And I believe that next year we will have more than 100 million dollars in our top line coming from gaming.

Neha: Alright sir. And could you tell me these gaming companies which you said have a top line of 40-80, how many successful games would they have?

Ronnie: Two out of 6 or 7.

Neha: Alright. Ok. Thank you so much.

Moderator: Thank you very much. Next follow up question comes from *Tanu* from *Quantum AMC*.

Tanu: Just one question. How does *Ramayan* of *NDTV Imagine* work with you all?

Ronnie: We have bought the Tamil and the Telugu rights for the same. Basically we have got all the rights. Then we are dubbing it. And then we are buying blocks of time on *Sun TV* and we are selling the airtime.

Tanu: But it is captured as airtime sales for you all?

Ronnie: It comes under the airtime sales vertical yes.

Tanu: Thanks. So *NDTV Imagine* does not get any margin out of this? After they have sold you the rights, right?

Ronnie: After they have sold us the royalty rights, no. They are getting the royalty rights minimum guarantee.

Tanu: Alright. Thank you.

Amit: Can we have the last question please?

Moderator: Participants who wish to ask questions please press *1. Here is a follow up question from *Mr. Dipen Mehta*.

Dipen Sir could you tell us the promoter holding if anything has been pledged off or is it still entirely held by the promoters only?

- Ronnie:** It is entirely held by the promoters.
- Dipen** It has not been pledged at all?
- Ronnie:** I don't know what you define by pledge but no.
- Dipen** Take promoter fundings for any of the contributions which you are getting in either.
- Ronnie:** No it all rests with the promoters.
- Dipen** Thank you very much. All the best.
- Moderator:** At this moment I would like to hand over the floor back to Mr. *Mihir Shah* for his final remarks.
- Mihir:** Thank you all for participating on the conference and thanks to the management for giving us the opportunity to host the call. Wish you all, all the very best for the coming quarters.
- Ronnie:** Thank you very much.

Note: This document has been edited to improve readability