



Movies • Broadcasting • Television • Animation

UTV Software Communications Limited

INVESTOR CALL – Nov 01, 2006

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Moderator: Good afternoon ladies and gentlemen. I'm Johnson, moderator for this conference. Welcome to the second quarter earnings teleconference of *UTV Software Communications Limited* hosted by *ASK Raymond James*. We have with us today *Mr. Ronnie Screwvala*, Chairman of *UTV*, *Mr. Ronald D'Mello*, COO, *Mr. G. Chandrashekar*, CFO, and *Mr. Amit Banka*, VP Business Development and Strategy, and *Mr. Girish Swar* from *ASK Raymond James*. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to *Mr. Girish Swar* from *ASK Raymond James*.

Girish Swar: Good afternoon ladies and gentlemen. We at *ASK Raymond James* welcome you to the 2nd quarter earnings teleconference of *UTV Software Communications Limited*. We thank the entire team of *UTV* for being there and also thank all the participants. We have with us today *Mr. Ronnie Screwvala*, Chairman of *UTV*, *Mr. Ronald D'Mello*, COO, *Mr. G. Chandrashekar*, CFO, and *Mr. Amit Banka*, Vice President, Business Development and Strategy. We will begin with Mr. Screwvala giving a brief overview of the performance of the Company in the quarter gone by, and the outlook for the year ahead. After which we will open up for Q&A. Over to you sir.

Ronnie Screwvala: Yes, thank you and good afternoon everyone for joining us today. I think the earnings report is detailed enough and I'm sure all of you would have gone through that. So I will not really labor into the details, but spend 2 to 3 minutes on headlines, so that we can jump straight into the question and answer session. Overall, I think given our developments that we are all aware of here, in the second quarter, primarily we are pleased with the progress overall as a result from two points of view. One while films did not have any real products to release in the second quarter, the television and animation part of the business has shown a resurgence and a growth overall, both in operating margins as well as in revenue pickup.

Animation, which is something that we had talked about in order books for quite some time, has started delivering on its order book, and therefore the operating margins in animation also coming through. If you see in this quarter, by and large, between television and film, television contributes 71% of the quarter's overall revenues. And I think that's the kind of balance that we believe is the strong foundation for our overall integrated media model. Having said that I think in films, we have got quite a bit of content that gets released both in quarter 3 and quarter 4. That will give us the growth prospects that we had determined at the beginning of the year. Specifically as far as television is concerned, I think it's been a good and interesting quarter. Our air-time sales activities also that we had talked about have increased in terms of number of hours, we are seeing some sense of revenue traction there. So I think these pretty much are the headlines, and I'd really like to throw this open in terms of Q&As, with just a couple of other brief updates. Specifically, as far as the sale of *Hungama TV* is concerned, I think that transaction was awaiting approval and we believe that by the end of this month, we should have all the approvals in place to consummate that transaction. Having said that in the quarter that went by, there were two

transactions that *Disney* needed to do, one was the acquisition of *Hungama TV*, and the second one was subscription to fresh equity capital, which they have already completed in this previous quarter.

Overall 2-3 things that I'd like to highlight in terms of the growth plan going forward. One, as far as movies is concerned, we see the right kind of trajectory in quarter 3 and quarter 4. One of our small movies *Khosla ka Ghosla*, which did well, got released only in the last week of this second quarter, and so part revenues from that will also flow into the 3rd quarter. We had acquired a movie called *Don* for global distribution outside of India, and as you would have read about it in some of the publications, it has done exceptionally well. So we see a good yield coming from our distribution business. Outside of that, we also have a release in certain segments in India of *Bhagam Bhag*, a *Priyadarshan* movie, on the 22nd of December. And next year in Jan, Feb, and March, we will have two of our own feature films, one called *Metro*, and the other called *Hat Trick*, which would see commercial release of both these movies. Outside of that, in the month of March, both our International Co Productions with *20th Century Fox*, which is *Mira Nair's Namesake* and *I Think I Love My Wife*, will be released in the US at that particular point in time. Just a word of caution, both these products will see a release in that month, but the revenues trickling, because of the US distribution model will be quite different, and therefore, revenues from the Company's point of view will come in, almost in the 2nd or 3rd quarter of the next financial year. But the release in March will definitely put the right kind of positioning as we go forward.

In the Animation business, I think we have a strong order book that will only strengthen as we go forward. I think the quality of response that we've got from our multiple clients has been very, very encouraging, and I think that's representative of some of the financial results that you're seeing in this quarter. Television will remain an incremental business for us. I think it's steady for us as we go forward. That's where we really need to take it, both the combination of air-time sales, as well as television.

As you know that the brand that we created *Rang De Basanti*, which released in January of last year, is having a fresh lease of life, it being India's official nomination for the *Oscars*. The traction and the interest that it has created, even if it does not get nominated, the Company is looking at a possible re-release in terms of DVD, and we would see some revenue flow coming in. 5 or 7 new territories in the world have already shown interest in releasing this product, from remote countries like *Poland*, and *Israel*, and many others. In the event that it does get nominated, which means short listed in the top 5 movies, which I believe is the best we can expect at this stage, because there are 16 excellent movies from around the world, competing now to win an *Oscar*. But I think if we do even get nominated, it would have a new sense of resurgence for the movie as far as we're concerned. We're doing some incubation work in some other activities. It is too early to reveal some of the other growth activities that we're looking at in terms of expansion; these, I'd be happy to share that with you maybe in the next quarter. For now I'd like to open the session to Q&A.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

Our first question comes from *Mr. Kaushik Poddar* of *KB Capital Market*.

Kaushik Poddar: I have two questions, 1, how much money will come to *UTV* from sale of *Hungama TV*, and how much of it will be capital gains, and 2nd question is, you haven't talked about broadcasting and New Media. So can you talk about these two things also?

Ronnie Screwvala: Yes, the inflow in terms of money coming into *UTV* on the sale of *Hungama TV* is about 110 crores, of which the capital gains will be about 30 crores approximately. As far as broadcasting and New Media is concerned, we'd rather really talk about it when that's consummated, but as a brief overview, we're pretty much clear that we have shown our success and our ability to run channels and grow them, both from our past experiences, and therefore we continue to remain in this space. We are in the process therefore of finding strategic partners to launch an enterprise in broadcasting, and I think in the next 30 days we'd be announcing the same. But at this stage it's premature A, who the partner would be, B, the scale of the operation, and C, the segment that it would be. But that is something that we are pursuing to bring it to its logical conclusion. As far as New Media is concerned, I think to us, our post production facilities and augmenting & growing these facilities has always been our focus in the past; that we consider part of our New Media activity. Animation, we consider part of our New Media activity, and outside of the order book, we have two interesting developments. One is the fact that we have zeroed in on up to two movies that we will produce in animation, which will primarily be for the Indian market and for the Indian market worldwide. Outside of that as you've already known, we have inked an MOU with *Will Smith's* production company *Overbrook*, to do a \$20 million animation movie for a global audience. That's our overall overview as far as the production is concerned, and 3rd, we have inked a transaction and deal with one of the largest independent televisions and animation production houses in the US called *PorchLight*, to co-produce one of their most successful television shows called *Jay Jay The Jet Plane* into a 1st time long form movie. We have started negotiating with the top line distributors there on this project. Outside of that we're looking at some other aspects in New Media, which we would look at from an M&A point of view, but again a little premature to talk about it right now.

Kaushik Poddar: Okay, on the movie called *Namesake*, it has been released in International Film Festival, can you talk about the response it has received in International Film Festival, and how do you see the path ahead for this movie?

Ronnie Screwvala: I just want to clarify, it has not been released anywhere, it gets an official release only in March. It has been screened at various film festivals, which is part of the marketing build-up that any movie would have. So our response in film festivals has been excellent if not anything else. The last screening was at the *Rome Film Festival*, where it had a 15-minute standing ovation for the director. But I think these are all premature accolades that we can put on the movie. We are very proud of the product. *20th Century Fox* is very proud of the product, and is going to give it everything they've got. The director *Mira Nair* wants to make it a personal passion to travel the world to promote the movie. We believe it has as much appeal for an Italian and French audience, who have expat communities all over the world as it does to an Indian audience or a US audience. Outside of that it would be difficult to predict the overall commercial success of the movie at this stage.

Kaushik Poddar: Okay, thank you.

Ronnie Screwvala: Thank you.

Moderator: Thank you sir. Our next question comes from *Mr. Harish Krishnan of Kotak Mutual Fund*.

Harish Krishnan: Hi sir, on your *Rang De Basanti* nomination process, could you share with us the amount of expenditure you would likely incur?

Ronnie Screwvala: I think the overall promotional expenditure to take it to the next level would be about 2 crores. We anticipate revenues from other territories, and a sort of resurgence on DVD sale even if we don't get nominated, to kind of balance and cover this cost. Obviously, our interest is that the minute we get nominated, not only does it bring us revenues, but I think what it does to the *UTV* brand in the movie business would be exponential.

Harish Krishnan: Sure, and secondly with your tie up with *Disney*, there were talks that you could also be getting a share of their merchandising business, but we also see reports that *Disney* is going on its own as far as that is concerned. Could you clarify on this?

Ronnie Screwvala: I would say that merchandising is not part of our core competence. I think *Disney* and we have just consummated, we're in the process of closing all our transactions, after which the synergy will happen. But if they were to happen, they will happen in our 4-core businesses, which is animation, movies, television, and broadcasting.

Harish Krishnan: Okay, thanks.

Ronnie Screwvala: Thanks.

Moderator: Our next question comes from *Mr. Dipen Mehta of Dipen Mehta Shares*.

Dipen Mehta: Yes sir, congratulations on a good set of results. I just wanted to get a clarification that this quarter television revenues have kicked in big time and almost 4.33 crores is the quarterly segment EBIT. Is this now getting to be a more stable kind of revenue flow for the Company based on order books for animation and whatever deals you have got production of television serials.

Ronald D'Mello: Yes I think you can take it as a stable growth level for the future.

Dipen Mehta: And you've got about 2.3 crores from films and you said that *Khosla ka Ghosla* was only one week revenue in Q2. So what were the 8 crores contributed?

Ronnie Screwvala: Overall we have a library so sometimes its syndication revenues, sometimes its overflow from some previous movies; it's a mixture of a lot of things, because there are lot of different cycles and windows in the exploitation of movies that happen.

Ronald D'Mello: We had past revenues from *Chup Chup Ke*, also some revenues from prints of *RDB* with us still circulating. We had some domestic and international syndication revenues, and obviously *Khosla ka Ghosla* some part of it.

Dipen Mehta: Third question is that *Khosla ka Ghosla*, now that it's more or less run through its release over here, what is the revenue that we got as our share?

Ronnie Screwvala: Well at this point I think it would be something, I mean, overall I would say that the gross revenue would be about 6 crores. That's the Box Office.

Dipen Mehta: Okay, so then your share would be what? How does one calculate that?

Ronnie Screwvala: Well about 50% of Net box office would be our share from theatrical, then we've got other exploitations right, also including DVD and things like that.

Ronald D'Mello: We've already exploited the satellite rights.

Dipen Mehta: And the cost of this particular production was I believe 2 crores?

Ronnie Screwvala: Yes approximately.

Dipen Mehta: 2 crores is approximately the cost?

Ronnie Screwvala: Yes.

Dipen Mehta: Okay. Ronnie do you see this as a bit of trend because I think its quite fantastic that as I understand from what I read also, that the movie was put together in a very short period of time, and they just went for the story so if this is the trend that you know you'll go for quick small budget movies and make it like a factory where we can gradually scale it up and have some sort of a regular revenue stream coming in as well.

Ronnie Screwvala: Yes I think that's what we're looking at. I can't say it's a trend, because it's difficult necessarily to find. This was a good script, it had a good marketing onslaught and we had a good release date for it, it was a combination of a good script, good marketing, and a good release date. But if you noticed in that same week, three more other movies of the same type got released, and all three of them haven't recovered even their cost including a very well critically acclaimed movie called *Dor*, and many others. So it's not a needle in the haystack, but at the same time it's not that easy to find.

Dipen Mehta: Okay, there maybe several issues in this kind of business model, is that what you are trying to say?

Ronnie Screwvala: No, I think one of the two movies that we're releasing in the next quarter is a movie that we consider to be a low cost movie for the kind of director, production values, and the cast that we've put together. So there will be different experimentations. But we're very focused on the fact that not all movies have to be 30-crore budget.

Dipen Mehta: The movie you're talking about is *Bhagam Bhag*, right?

Ronnie Screwvala: No, the movie I'm talking about is *Metro*. It's the movie that's directed by *Anurag Basu* who directed *Gangster*, and got a very good start up with it. And it's at a very tight budget that we're producing that, and it's our own movie, its not distribution movie.

Dipen Mehta: About *Don* which you are distributing overseas, maybe you may not want to disclose the exact deals what you got for *Don*, but if you could just give us the understanding as to these overseas distribution deals - normally what are the terms or conditions, and also what is UTV's USP, why should they come to *UTV* and not to someone else? What did you bring to the table, especially when it comes to overseas distribution?

Ronnie Screwvala: In overseas distribution, at the moment I would say we're pretty much ranked right at the top only with the competition from *Yashraj*, and primarily because they've been churning out good and average good returns for their content. I think our USP is our ability to get the marketing deals that we get. In *Don*, the marketing deals that we've got are unprecedented, even from *Yashraj's* point of view. We have Citibank who backed us for \$1 million. \$1 million they paid overall in terms of sponsorship and marketing, for free promotion and marketing. We've got similar deals like that. So there's a huge USP when it comes to marketing. Secondly, I think we've been able to communicate to the theater chains worldwide that we understand the trend of having a regular slate of movies. Most of the distributors with the sole exception again of *Yashraj* do one movie and then they're gone for 6 months. Our regularity gives us better trade opportunities. Third, we've been able to now start penetrating the DVD market and ancillary rights exploitation market. So all of these make a very big difference. Just to give you a straight example, one of our competitors was distributing *Jaan-E-Mann* on the same day that we were distributing *Don*, every single theatre in every single precinct in UK and USA, we got a better cinema than they did. So, its not that the content is the only one, because that same content *Don*, in India has not had such exemplary results as it has had overseas.

Dipen Mehta: And what are normally the terms and conditions for such overseas deals?

Ronnie Screwvala: That would completely vary on project to project but obviously there is either a minimum guarantee, sometimes if there isn't a minimum guarantee, it's on commission basis. So the structures completely vary on a movie-to-movie basis. We are not really in the huge acquisition business of movie distribution so we drive a very hard bargain on that because now we have built what I consider a very strong structure and that structure is not for sale very cheap.

Dipen Mehta: Okay and how many people would be engaged in marketing *Don* or the set up which we have abroad?

Ronnie Screwvala: Uniquely enough, you'd be surprised to hear that there's a total of 4 people.

Dipen Mehta: That's it.

Ronnie Screwvalla: That's it worldwide.

Dipen Mehta: Thank you I'll reserve some more questions for later.

Ronnie Screwvalla: Thank you.

Moderator: Thank you sir. Our next question comes from *Ms. Jasmina Parekh* of *ING Vysya*.

Jasmina Parekh: Good afternoon sir.

Ronnie Screwvalla: Good afternoon.

Jasmina Parekh: Sir my question pertains to your TV content gross margins that have improved significantly to about 16% during this quarter and also in your press release you have mentioned that you are aiming to improve television margins going forward. So how are we going to see the improvement in this margin, will it be through price increase or what and where do we see these margins moving up to?

Ronald D'Mello: Yes I think the margins that you see in this quarter are more or less how the margins will evolve as we go forward. It's triggered by our animation deliveries that we have done during the quarter and also our air-time sales business which, during the past quarters was a little bit on the lower side of margins, have now evolved for proper margins fitting in so you can take this as the representation of the future quarters.

Jasmina Parekh: Sir, is it possible for you to give us the break up of margins between air-time, TV content and animation?

Ronald D'Mello: Yes it's about 10% to 12% on TV content, 7% to 9% on air-time sales. 40% on animation and we have a small composition which is dubbing which contributes about 30%.

Jasmina Parekh: Okay sir, what would be animation revenues during this quarter?

Ronald D'Mello: About 6 crores.

Jasmina Parekh: 6 crores and sir are we seeing these animation margins of 40% sustaining?

Ronald D'Mello: Yes these are sustainable margins. We have an order book of about 13 million of service outsourcing, which has to be serviced over the next 18 to 24 months and this margin is sustainable.

Jasmina Parekh: Okay, thank you very much sir.

Ronnie Screwvala: Thank you.

Moderator: Thank you sir. Our next question comes from *Mr. Nishant Kumar* of *Kotak Mutual Funds*.

Nishant Kumar: Yeah, hello sir. I have a question regarding the movies, which are going to be launched in FY07, what is the cost, which you have incurred or will be incurring on the *Metro*, *Hat Trick* and *Bhagam Bhag*?

Ronnie Screwvala: Yes, not sure we want to get into budgets for movies because really the segments are depending on each movie as we go forward. Second, is you need to understand the reason why the movies that we are doing have a good track record of success is that we have the gumption to be able to sometimes invest upwards of 20% and going up to 40% of the cost of our production on marketing the movie. So that variable part we only take into consideration at that particular point in time. Yeah, now both these movies in the first quarter of next year are not the big movies, so both of them are lower than 10-crore budgets, if that's the benchmark that you want.

Nishant Kumar: Okay another question is on the *UTV Post*, can you say something about *UTV Post* and what kind of order book you already have and what kind of profitability target?

Ronald D'Mello: Yes, I think in the last 3-4 months we have sort of invested in our new facilities, which are primarily catering to the film side of the business. That is now commercially implemented, I think, beginning of last month, October we started test work in the facility. So that would obviously add to the revenues from the *Post* side to us. Going forward, I think *Post* and animation will work together as a consolidated activity because most of the work that we get from overseas on animation also has a *Post* element added to it. We are also going to get into VFX, which also works along with animation. There is no concept of an order book when it comes to *Post* because this is not like animation; these are not like long-term contracts. We do have pretty strong clientele, which we think will add to our revenues substantially as we go forward.

Nishant Kumar: Okay, how many people are there in this *UTV Post*?

Ronald D'Mello: Its about, between the facility in *Worli*, which is primarily catering to Ad film makers and documentaries and music videos plus the *Andheri* facility, which is more for films, we have about 60 people.

Nishant Kumar: Okay, that's all, thank you sir.

Moderator: Thank you sir. Our next question comes from *Ms. Parveen Kaur* of *Jet Age Securities*.

Parveen Kaur: Good afternoon sir. Sir, could you give us a breakup of your television revenues into animation and air-time sales and commission programming. Animation you said was 6 crores?

Ronald D'Mello: Yes, animation about 6 crores. Air-time sales did 13 crores. TV content about 9, balance is dubbing activities.

Parveen Kaur: Okay and sir secondly as far as my understanding goes, we had an air-time sale arrangement with *Hungama TV*, right?

Ronald D'Mello: Yes, we did have it but beginning of this year we discontinued that and *Hungama TV* started doing its own air-time sales.

Parveen Kaur: Okay fine, so post *Disney* it remains the way it has been right.

Ronald D'Mello: Yes, we will not do air-time sales for *Hungama TV*, it will work closely with *Disney*.

Parveen Kaur: Okay fine and sir, thirdly looking at your segmental results, movie revenues in consolidated are around 8.7 crores and standalone is 3.3 crores. And stand alone EBIT there is a loss of around 1.3 crores, could you please explain that?

Ronnie Screwvala: Well I think we have 3 wholly owned subsidiaries, US, UK and Mauritius so I think you have to look at the holistic picture. I think the consolidation to standalone is equal to the same from that point of view, because the right per territory and per geography needs to be looked at as one combined situation. Sometimes you might have Australia, Dubai doing well and some other territory not. So you have to look at the holistic scenario, in that sense.

Ronald D'Mello: And I think it's very important in our case. Our subsidiaries are not standalone independent subsidiaries; they are all part of the same chain. When we release a movie, it is released in all 3 subsidiaries. This more represents the geographies we distribute the movies rather than any specific distinctive activity.

Parveen Kaur: Right but this 3.3 crores would be domestic film revenues?

Ronald D'Mello: Yes you could have a particular film doing well in a particular territory outside India, in which case you will have more revenues coming from an overseas territory.

Parveen Kaur: Okay, no I just wanted to understand where this loss has come from?

Ronnie Screwvala: No, but there could be a case where the cost apportioning is higher in the Indian subsidiary than with any of the other subsidiary. I would not read into that because you need to look at a consolidated picture and sometimes the exploitation cycle in one of the subsidiaries could be of a different movie and the exploitation in India could be for a different movie. So it's not that you will find a clear-cut connection necessarily in one single pipeline.

Parveen Kaur: Okay right, thank you.

Moderator: Thank you sir. Our next question comes from *Mr. Siddharth Shah* of *UTI Mutual Fund*.

Siddharth Shah: Hi sir. Can you talk little bit in terms of what has been the gross box office collection for *Don* internationally and what would be the percentage of revenues such movies make internationally?

Ronnie Screwvala: It's really been 9 days so I think it's really too early to tell but it has done exceptional records, it's really one of the third highest grosser for a Hindi movie outside. So that in itself should give you the kind of volumes that we go as far as *Don* is concerned, but it's a little too early to get into that, but I think clearly and absolutely it will be a good money earner for the Company.

Siddharth Shah: And box office collection should be just some percentage of overall revenues that the movie will earn, can you tell me what sort of percentage would this be?

Ronnie Screwvala: No, I think overseas wise Box Office in this context will be a bulk of it, the second highest would be DVD and then there will be miscellaneous rights from television that we will go for. And that would happen after 6 months. So if you are looking at this quarter it will be substantially DVD and theatrical.

Siddharth Shah: Okay, any pipe line of movies that we are going to distribute over the next 6 months?

Ronnie Screwvala: Yes, I think I just went through that in the beginning but I'll just quickly go through that again. On December 22nd we are doing *Bhagam Bhag* in some parts of India and between Jan, Feb and March there are 2 of our own productions that we will ourselves release world wide. One is the movie called *Metro* and the second one is the movie called *Hat Trick* and outside of that we have 2 international movies that will also be released in March but revenues will not accrue in March.

Siddharth Shah: Okay, thank you very much.

Ronnie Screwvala: Thank you.

Moderator: There is a follow up question from *Mr. Dipen Mehta* of *Dipen Mehta Shares*.

Dipen Mehta: In the financial results, capital employed in films it is 1,045,600,000, so this represents the work in progress, which is there for the 4-5 releases or what exactly does this represent?

Ronnie Screwvala: It includes mostly work in progress including our 2 large international movies also.

Dipen Mehta: Okay, and unallocable would be the cash, which you have got from sale of *Hungama TV*?

Ronald D'Mello: No unallocable would include our present investment in *Hungama TV* of about 70-75 crores which will come back once we conclude this deal in another 1 month.

Dipen Mehta: Okay and normally as you observe over here that eventually once *Hungama TV* goes out of the unallocable you would have collected cash coming in and you are looking at about 250 crores kind of capital employed, what are the kind of return on capital employed for an industry like yours over a long period of time like 2-3 years average if you are to take considering that there will be a few hits and a few misses but based on your observation of industry in India, what is the good return on capital employed?

Ronald D'Mello: I think it's very difficult to define a good percentage but even if you see our present ROCE, if you keep our investment in *Hungama TV* out of it, we have about 11 to 12% ROCE presently. If you remove some of the movie investment, which are like long term, which will mature only after 12 to 18 months then it further improves. Also our animation facility and our post-production facility, which are just investments made in the last 6 months or so. When they mature also it adds to our ROCE. I think in the longer run I would be happy with a 22% kind of ROCE, I think that's where our businesses will be when they are fully matured, and when all businesses, all components of it are delivering.

Ronnie Screwvala: And I'll just add to that, I think there are some parts of our business where we look at it from a P&L basis quarter to quarter and year on year and there are some businesses on which we build value. I think *Hungama TV* is a case where we created certain assets, it may not reflect the best ROCE for a particular period in time and then there is a value creation. So different businesses will have a different cycle, so I think you need to be clear that in our day to day operations as Ronald said our targets would be that we would be happy with a 20% to 22% ROCE. But this is outside of the fact that we still like to build solid value in some of our other businesses also which will be viewed separately and should be viewed in an augmented manner.

Dipen Mehta: Next question relates to the tax, what are the reasons for such low tax to pre tax ratio and what do you think would be the tax to pre tax rate for the current year FY07 and for FY08?

Ronald D'Mello: I think if you see our Company structure, we have a Mauritius company which has very low tax incidence, rather nil tax incidence and incidentally during the quarter a substantial part of the profits have come from our Mauritius subsidiary. So that's

why the taxes are low in this quarter and going forward about 22% to 25% is the average tax incidence.

Dipen Mehta: I'm sorry, I didn't get it.

Ronald D'Mello: About 22% to 25% will be the average tax incidence.

Dipen Mehta: Okay, but for the current year or for half year the reason for low tax incidence is because the revenues have got booked in Mauritius, is that what you are trying to say?

Ronald D'Mello: Profitability to some extent has come from the overseas Mauritius entity, which has 0 tax incidence.

Dipen Mehta: Okay, thank you very much and all the best.

Moderator: Thank you sir. Our next question comes from *Mr. Vinay Paharia of DBS Chola Mutual Fund.*

Vinay Paharia: Good afternoon sir. Sir, in your comments you had mentioned that you would be announcing shortly your broadcasting foray and so I would like to understand sir, what sort of Capex or rather, size of investment you are looking at allocating for your broadcasting venture?

Ronald D'Mello: I think at this point of time we are sort of talking to a strategic investor and also figuring out our financial closure for the entire activity which we assume will need to be funded for a period of at least 3 years. We don't expect UTV's own investment to be more than about 70 crores over a period of 3 years. We might have some debt component of this project, which will come directly into the company, which houses this project. We will have a strategic investor, we will have UTV investment and we will have some debt composition. So that's how we are looking at our financial closure, which will be done soon and UTV investment as I said will not be more than about 70 crores, over 3 years, not immediately.

Vinay Paharia: And you would be taking a majority stake basically?

Ronald D'Mello: It could be majority or a fifty, fifty venture as well.

Vinay Paharia: Okay and you are planning to launch a single channel over a period of 3 years or 2-3 channels, a bouquet of channels?

Ronald D'Mello: I think in a month from now we will be able to disclose all details.

Vinay Paharia: Okay fine. Sir my second question relates to your animation order book. Sir, what sort of execution period is there for that, when do you plan to execute the complete order book?

Ronald D'Mello: I think we had about \$14½ million worth order book on service outsourcing kind of activity, which is primarily doing TV series or home video kind of title for overseas clients. We have delivered slightly about \$1 million already in the last 4 months and it would take us about 18 to 24 months to deliver the rest of it.

Vinay Paharia: Okay and has there been any accretion to this order book in the last quarter?

Ronald D'Mello: Yes, we do have certain on going negotiations, which will keep increasing the order book and outside the service order book we have our movies, which will go on floor, which Ronnie mentioned little earlier. One of the movies will go on floor, it has already started pre-production work, the animation work will start sometime in February. The movie with *Will Smith*, which is a 20-million dollar budget movie, will probably go on floor sometime later next year. There is one more movie which is a Indian movie for international audience in animation, including Indian audience, which we are now currently working on, would also go on floor later next year. All this is lined up and as we go forward every quarter we will keep announcing whatever we close. As of now, we are sitting on a pending outsourcing order book of about \$13 million and we do have on going negotiations with a couple of other parties.

Vinay Paharia: Okay sir, thanks.

Moderator: Thank you sir. Our next question comes from *Mr. Dipen Mehta of Dipen Mehta Shares*.

Dipen Mehta: Sir these 2 international productions *Namesake* and *I Think I Love My Wife*, are you disclosing the financial commitment in these 2 projects?

Ronnie Screwvalla: The *Namesake* is around 3 million dollars and the other one is about 7 million dollars.

Dipen Mehta: Okay I just wanted to get a sense from you as to why would you like to go into overseas production like this, what is the actual objective apart from I think profit, are there any other qualitative targets or aspects which you consider when you go for such a field which involves mainly international release?

Ronnie Screwvalla: Absolutely, I think the transactions and the synergies and the relationship that we are building in a global spectrum make us pretty much the most preferred company to deal with by most of these people internationally. Today we have a relationship with *20th Century Fox*, we have *Disney* as an equity partner. In *Will Smith*, *Sony* has come forward to do both the movies. We have an animation agreement with *PorchLight*. So if you look at that entire gamut of what we are doing in the international foray I think we definitely want to position ourselves as a company of first choice to do

business with. This is on a going westward basis. On companies coming into India, the reason why *Disney* would come in and want to associate with us is the kind of position that we have built. The fact that they respect that we have been able to get out there, understand western way of doing business as much as doing it from India is part of their attraction why they want to take an equity stake in *UTV*. And over the next 2 years we see *Fox, Sony, Disney, Viacom* everyone wanting to produce movies and not one and two but a slate of movies. We want to be the preferred partner with them. Lastly, I think the movies like *Mira Nair's* movies, she is a global Indian and I think from that point of view a company in its own destiny in media always looks for that one situation that can make it break out from a particular level to the next level. And I think we are in constant pursuit of those kinds of associations also.

Dipen Mehta: Okay, but apart from the capital, which you put up, what do you bring to the table for such international deals?

Ronnie Screwvala: Well let me clarify, for example, number one as far as *Mira Nair* is concerned we brought her to *Fox*, *Fox* didn't bring her to us. So that's to start with. Now the second movie that we did with *Fox*, because we got *Mira Nair* to *Fox*, *Fox* got *Chris Rock* to us for that movie. That's how it works. Similarly when it comes to *Will Smith*, he is committed that he wants to do global cinema and while we sit here and start thinking about Hollywood, actually you would be surprised to hear that most people sitting in Hollywood want to build a strong India story. So half the time when we are trying to sell doing movies overseas, a lot of the people are keen on doing movies in here and I think the exchange and the credibility that one builds with going with these movies also makes a big difference.

Dipen Mehta: No, but do they look for marketing inputs from you or are you expected to help them in production, casting, what is your role?

Ronnie Screwvala: They are fascinated with the fact that actually, that \$20 million movie that we make from India will otherwise cost him \$50 million to make. That itself is a USP.

Dipen Mehta: Okay the USP is the fact that you can help them save the cost by whatever...

Ronnie Screwvala: I am saying there are different USPs. We brought *Mira Nair* to *Fox*, so that's our USP. As far as the animation movie is concerned the cost is the USP. As far as the live action movie we might do, it might be the fact that a lot more people now feel that shooting in the east and bringing stories that come out of the east are pretty much of international appeal, even to US audiences.

Dipen Mehta: And any numbers that you are disclosing on the number of employees and how has that changed quarter to quarter because I think you must be facing scalability issues and challenges over that as well?

Ronnie Screwvala: Actually to be honest, not so. I think in our core functions or what we are working with people I think there is a fair amount of consistency in whatever we are doing. Now when you have an activity like animation or any of those you might have on

your normal churn of in and out, part of them are based on performance, part of them are based on normal attrition. So that's a normal cycle that will go forward but I think for the core team and like I said, I mean in one of the earlier questions somebody asked me on international distribution, I said we have a core team of 3 or 4. So in many of these aspects we work well with our core team, so I don't think in the last 2 quarters we faced any such challenge.

Dipen Mehta: Thanks you.

Moderator: Thank you sir. Our next question comes from *Mr. Kaushik Poddar* of *KB Capital Market*.

Kaushik Poddar: Mr. Screwvala you just said that you have put in 3 million dollars in *Namesake*, so that gives you how much equity or how much rights of the film?

Ronnie Screwvala: One-third world wide in perpetuity.

Kaushik Poddar: Okay.

Moderator: There are no further questions. Now I hand over the floor to *Mr. Girish Swar* for closing comments.

Girish Swar: On behalf of *ASK Raymond James* and *UTV*, I thank all the participants for their participation and wish you all a very pleasant day, thank you.

Ronnie Screwvala: Thank you so much.

Moderator: Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.
