



.....  
**INVESTOR CALL – OCTOBER 28, 2009**  
**RESULTS - QTR ENDED SEPTEMBER 30, 2009**

**Moderator:** Ladies and gentlemen, good morning and welcome to the *UTV* Conference Call hosted by *Prabhudas Lilladher*. As a reminder all participants' lines will be in a listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touchtone phone. I would now like to hand the conference over to *Mr. Mihir Shah* of *Prabhudas Lilladher*. Thank you and over to you, Mr. Shah.

**Mihir:** Thank you moderator. First of all on behalf of Prabhudas Lilladher let me congratulate the management for the Q2 results. From the management today we have Mr. Ronnie Screwvala, CEO, Mr. Rajeev Wagle, Group CFO and Mr. Amit Banka, Senior Vice President (Business Development & Strategy) for UTV. Without taking much time I will straight away pass on to Mr. Ronnie Screwvala to give a brief on the quarterly results. Over to you sir.

**Ronnie:** Thank you. I think for everyone there again apologies for yesterday. I am just going to take a 60 seconds overview because I think yesterday the one thing we did manage to do is for everyone to be in listen only mode to my comments. So we will really go straight into Q&A but for some of you who may have joined in new or may have come in late I shall give a quick summary.

Number 1 is I think we are overall pleased with quarter two and I am tracked that we said that on Quarter on Quarter basis we will grow and outside of the first quarter which will be a loss everything else would be moving in the right direction. Number 2 just want to caveat that because we do have the UMP merger transaction which was getting consummated and closed, we are as per the UK takeover code not allowed to give future predictions on EBITDA and PAT but we can do so on revenue and otherwise we can discuss everything else very freely on this call. Number 3, therefore I think the headlines seemed to be 39% growth on revenue and a good Rs. 237 crores for the quarter. Operational profits have obviously gone up by about 200% and plus from a Rs. 9.4 crores loss last year, same quarter to about Rs. 18.1 crores profits this year.

The key highlights are I think the contributors have been the movies division and the games division. From the two games that we released in the United States it contributed about Rs. 40 crores in the revenue and about Rs. 9-10 crores onto the gross margin line. And in movies it was a mixture of 3 things, inflow and profitability from '*The Happening*', the profitability from '*Kaminey*' and a fair amount of syndication going forward. I just want to address a few key issues, number 1, on our

movies I think in the first quarter we had no releases, in the second quarter we released primarily only 1 big movie and in the third quarter there are 2-3 big movies in that context, the biggest one being 'Kurbaan' which would be on November 20, 2009. So in that context I think there were a couple of queries we had over the last 2 days on our capital employed in movies and I just want to further re-emphasize that we are moving in the right direction which is that from the cash flows coming from our Hollywood movies plus the fact that we will be finally releasing between 10-11 movies this year on a financial basis, there will be a substantial change in the capital employed. Outside of that what is critical for everyone to note here is that we are the only motion picture company with almost 10-11 movie slate pretty much locked in. From scalable movies we have *Sanjay Leela Bhansali's* movie with *Hrithik Roshan* and *Aishwarya Rai*, *Anurag Basu's* next movie, *Akshay Kumar* signed and getting on the floor, two animation movies and *Rajnit* which is completing shooting. So not only small movies, 6-7 mega movies all pretty much in the 40-50% under production range with some of them 70-80% for next year's release. And that's why if anyone would comparing that with any of the other studio's you wouldn't get this kind of absolute clear clarity and predictability on the slate going forward into '10-'11.

I think broadcasting has been our fastest growing division this quarter. Overall I see this year we have 100-120% growth overall on the top line and we are definitely and clearly reaching critical mass. We will be in the top 5 networks and I think that without having a general entertainment channel because there was fair amount of queries from people that if you have 4 specialty channels how do you really get to a scale and I think we are demonstrating that Quarter On Quarter and I think in next year we will clearly demonstrate that between Hindi movies and our 2 other movies offering with *Bindaas*, there is a sense of scale in that operation.

And lastly as far as games is concerned, I think we have over in the last one year said that we are in investment mode, this quarter gives a good sense of the shape of things to come next year with publishing titles also kicking in outside of IPs. *India Games*, we are happy with the progress and we on track for True Games which is in investment mode for next year.

Overall I see about 35-40% growth at the minimum level on the top line this year as a growth in our businesses and next year we see the movies growth is about 35%. As I said gaming will be the maximum because of our 3 IPs release which will be atleast a critical mass of Rs. 550 crores in revenue next year and representing about 125% growth if not more. And broadcasting will grow this year as I said about +100% and next year +70%. With that I think we can go straight into the Q&A. Thank you.

**Moderator:**

Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. To ask a question please press "\*" and "1" at this time. If your questions have been answered and you wish to withdraw the question from the queue please press "\*" and then "2". You are requested to use your handsets while asking a question. Participants with questions may please press "\*" and "1" now. Our first question is from the line of Mr. Rishi Maheswari from Enam AMC. Please go ahead.

- Rishi:** Thanks for taking my question. Can you also give us flair on the margins that you expect in each of these divisions from gaming and broadcasting?
- Ronnie:** Yeah I think broadcasting is looking at the breakeven and plus for next year...
- Amit:** I think *Ronnie* sorry over here I think we will not be able to talk about margins because of our UMP merger which is expected very soon. And under UK takeover code unfortunately we can't talk about any profit forecast at this point in time.
- Ronnie:** Hopefully by the end of next quarter we will be able to talk about that because we should have completed the transaction by then.
- Rishi:** So will it be for all divisions or is it that only for broadcasting, you won't be able to talk?
- Ronnie:** It will be for all the divisions.
- Rishi:** So whether on topline would you be able to give us a sense on how *India Games* and *True Games* would move ahead. You are expecting a very huge growth in FY`11?
- Ronnie:** I think on revenues Amit we can talk, right?
- Amit:** Yeah we can.
- Ronnie:** You want to go for it.
- Amit:** Yeah sure. As far as the movies business is concerned as Ronnie mentioned in his brief as well, we are looking at a CAGR of 25%, in Games we are looking at 125% and in Broadcasting is concerned we are looking at a 70% growth CAGR over a period of three years starting FY 2009.
- Ronnie:** And if I can add to that, I think the significant growth in gaming will really come from the three IPs and therefore it will be a high one. I think our critical mass for next year and our overall gross revenues for gaming will be Rs. 550 crores plus. I think *India Games*, we are looking at a good growth from mobile and online and *True Games* really have a zero revenue base. I think the percentage would be a little misleading only because it is starting from a zero base. The next year is really going to be its revenue year, first revenue year.
- Rishi:** Alright. Thank you so much.
- Moderator:** Thank you Mr. Maheshwari. Our next question is from the line of Ms. Swati Nangalia from IDFC SSKI. Please go ahead.
- Nikhil:** Hi. This is Nikhil Vora here. Sir just couple of things, a part of that was answered by Amit yesterday but just to get a check from your side. Capital employed which you talked about I am slightly intrigued by the significant increase in capital employed and atleast 2-3 of the segments are specifically movies and the broadcast business where I thought the idea was very clear of not sinking more money in that business, why has the capital employed increased disproportionately and within movies

also shouldn't there be a call back on significant amount of the capital employed in the business by now?

**Ronnie:** My first correction to your point would be that there hasn't been a significant increase unless you consider Rs. 45 crores increase in movies, significant increase in capital employed.

**Nikhil:** It is closer to Rs. 250 crores over the last year?

**Ronnie:** No, since we discussed that last quarter I think we had been very emphatic that that is where we are going forward. And I think I tried to address that but I will do that again this time. Number 1, for all of '10-'11 we have got 6 mega movies that are under production, 50-80% and therefore they need to go, and move on the floor for us to have complete certainty that would not be the case which you will find with any studio. Number 2 the significant releases are in 3 and 4 which is what we said and I think in my last quarterly call I had also clearly represented that you will see the movements in 3 and 4. And number 3, again I think I said that in my summary statement yesterday which is that almost 12-14 of our movies from last December release which is 'Oye Lucky', 'Dev D' and 'Delhi 6' till the present including 'Kaminey', we did not transact their satellite rights because we want the market to get slightly corrected and we will see that in Q3 and Q4 and that will get a significant liquidity event to the capital employed also. These 3 impacts are clearly there for 3 and 4 and I think even in our last quarterly call we had clarified, that Q2 will be the stepping stone and in quarter 3 and quarter 4 you would see a significant change for us to really end a year in March '10 with the right, correct capital employed for that.

In broadcasting just to clarify again I think the size of the business has gone up so there will be increase in debtors to a certain extent and a slight increase in our distribution commitment especially on the movies channel because we want to take that to the next level otherwise there is no significant investment in any form that we are doing in broadcasting. If you are looking at on an annual basis I am saying from our discussions that we have talked about over the last 2 quarters, we are very clear and on track with what we have been projecting going forward. The broadcasting is not looking at any significant increase in those businesses but it has shown significant growth over the last 3 months in terms of TRPs, GRPs and revenue.

**Nikhil:** Would you like to just broadly guide through what the capital employed structure should be at the end of the year or over the next 12 months?

**Ronnie:** I think essentially we need to bring down Rs. 2000 crores capital employed more in the range of about 1350 over the next 3 quarters for broad guidelines. Actually you will see a significant change in that after our gaming verticals started throwing up cash for which as I said that will happen in the tail end of 2010 starting from third quarter onwards which will take next level of measurement in our capital employed.

**Nikhil:** Second was on the gaming verticals, I understand we can't talk on margins but if you look at the current profitability of that business, I am looking at capital employed in that segment, is that fair to presume that we will atleast do our 20-25% return on capital in that business as you move into Rs. 500-600 crores scale?

- Ronnie:** I am not sure that I can say yes or no based on whatever Amit has qualified in that context. But I think in the past when we were able to talk, you can refer back to that script, I think we clearly articulated what we expect from the gaming business and I don't think that has changed.
- Nikhil:** Let me put it otherwise, is there more uncertainty as we have scaled from the current level of operations to Rs. 500-600 crores over a next year or two. Are there more uncertainties in terms of your profitability mix or you think there is more certainty as you move forward in this?
- Ronnie:** Absolutely no uncertainty I think more visibility and clarity.
- Nikhil:** Ok. Thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Ms. Madhuchandra Dey from Kotak Investments. Please go ahead.
- Madhuchanda:** My question is again on the gaming, you have nearly Rs. 450 crores capital employed in the segment. So if you could tell me how much is the capital employed for the 3 IPs which are expected to get released next year?
- Ronnie:** These capital employed includes our investment into the online gaming space i.e. *True Games* and *India Games* which therefore also includes the investments into these companies and their assets. Specifically on the 3 IPs, Amit could you...?
- Amit:** I think on the 3 IPs per say we will have approximately Rs. 180 crores as the investments.
- Madhuchanda:** And if you could just throw some more color on how many units you are expected to sell, any rough estimate on how many units you are expected to sell in the quarter and what is going to be the likely unit price and how big is the market?
- Ronnie:** I will try and keep this brief because this is quite a long answer but broadly there are 3 titles, each of them is in the range of an investment of a certain nature. Firstly to just clarify if some of the majors like *Ubisoft* or *THQ* or *Electronic Arts* would do that, their costs would be significantly higher, almost 70-100% higher. Our breakeven quantities for each of the 3 games is in the range of 1-1.1 million units each across 2 platforms which is the *PS3* platform and the *Xbox 360* platform and this is across the whole world. In the whole world the three principal geographies will be United States of America, Japan and all of Europe which includes United Kingdom. So these are the three main geographies, the rest are all peripheral income right now whether its South America or most parts of Asia excluding Japan. These games on Quarter To Quarter basis really depends on the first shipping quantity which we expect to be in excess of around 550,000 per platform per unit as and when they get released.
- Two last points, one the retail price in the US would be in the range of about \$60. The equivalent price in pounds would be in £39.99-40 and in Japan it would be more equivalent in yen at about US\$80. Lastly, all these 3 studios in which we are doing these games are pretty much the investment that we have already made into Ignition so they are our own studios which are churning out these games. And as the taskforce

reduces on the work before release of these 3 games, the remaining force that stays in our studios we will be working on the sequel.

**Madhuchanda:** And incrementally going forward between now and the launch are you required to pump in further capital for 3 IPs?

**Ronnie:** Yes Madame that is part of the budget what we have got there.

**Madhuchanda:** If you could just throw some broad colour?

**Ronnie:** It would be in the range of about Rs. 120-140 crores more.

**Madhuchanda:** Between now and December next year?

**Ronnie:** That is correct.

**Madhuchanda:** Ok. Thanks.

**Moderator:** Thank you Ms. Dey. Our next question is from the line of Mr. Abneesh Roy of Edelweiss Capital. Please go ahead.

**Abneesh:** Sir you have done well in the movie business. In the first quarter we had this tussle between Multiplex and Producers. Could you tell us what kind of an impact it has had in terms of our margins and second would be of course due to this tussle lot of bunching of movies is happening? On the same weekend we have 2-3 movies releasing so there is too much of supply. So if you can just explain this?

**Ronnie:** Yeah, actually to us I would say while I would like to seek relief in the fact that the Multiplex standoff would have eroded our margins. Actually we have no excuse to say that and therefore it has not. To be frank we had one small movie that we would have otherwise have released in the first quarter of April-May-June primarily because IPL cricket took about 60 days of that time. So it was just fortunate that the impact happened at a time where movies would have been slow. Secondly the bunching did happen in July and August and I think that bunching has pretty much gone away. If you can notice this weekend actually there was no significant Hindi movie release at all. Every alternate week there is none in that context so the bunching perception would come again because everyone does believe that Diwali is a good week for lots of movies to get released and it is ceremoniously right to release it, but I think the bunching has already been taken care of. You will find almost every alternate week bunching not happening and therefore for example our biggest movies of this year that we plan to release, that is 'Kurmaan' is a solo release on 20<sup>th</sup> of November and then the week after that there is a comedy from someone else and that's a solo release etc.

**Abneesh:** Sir post this agreement there was a feeling that the timetable of the movies will be better planned. There is not much happening there, isn't the industry coming together and making a better timelines of the movies. That is one part and secondly of course did you see an uptake in margins post Q1 that was the main agreement, right?

**Ronnie:** Firstly what is your concern on actually the better planning because we don't believe that there is any bad planning in the movies in the release? The bunching would have happened for the first 2 months when everyone got out of the starting gate and that was the only time when

all concerned needed to collectively looked at this to continue to look at this and see how you can find a pragmatic solution for 60 days otherwise everyone from that perspective needs to be driven by market forces. So we really don't believe that there is any that kind of bunching or bad planning that was affecting box office to be very honest. Yes there is an increase, net increase of about 2.5% on the bigger movies from your theatrical share and upto 4-5% on small movies in your theatrical share.

**Abneesh:** And sir last week there was some news that again there is some kind of problem again happening between producers and multiplex, what's the current status? Is the problem again coming back?

**Ronnie:** No, there is no problem. We in the media love to talk about movies and anything to do with that because it makes nice front page news. I think the key criterion there seems to be one, where the multiplexes felt that new forms for example DTH, pay-per-view and VOD should only be there after 3 months and I think the idea was again for everyone to acknowledge the new technology and new revenue streams is actually productive and does not cannibalize the industry and does not stop people from going to the movie theatres. So the windows for pay per view and DTH, needed to be straightened out and I think therefore that's the case and media insisted everyone comes and has a discussion not on the table or in the room but on national television.

**Abneesh:** Sir coming back to the DTH thing after 2 weeks now DTH is available so is it a big enough opportunity and do you think this can be sustained because at some level again multiplexes will start protesting this because for them it is total case of change of business model?

**Ronnie:** Exactly not a change of a business model, we are very convinced and so are the multiplexes, it does not. Atleast 50 if not 70% of your revenues come in the first week and by the second week you are done with 80-85%. After that what is the cannibalization ratio of people who would not have inertia to go and see the movie in the first place in the movie theatre and therefore want to just press the button would not be more than 10% erosion of the third and fourth week's collection if at all. But for that we are picking up for the entirely new audience and to add to that there are 17 million DTH homes now in the country and unprecedented growth for an industry which has just started and it is growing at the rate of 400,000 subscribers a month. In that context if we can even harness 5% of that segment to press the button for movies, that's entirely new revenue line for everyone producing movies.

**Abneesh:** So instead of say 3 months lag, is the 2 weeks lag working better? What I am trying to say...?

**Ronnie:** First of all I can only clarify that, on the third day cable operators are anyway running the pirated movies and causing huge severe damage. I might as well collect the money on it.

**Abneesh:** Sir you are getting the benefit, right?

**Ronnie:** That's what I am saying otherwise anyway nobody is discussing the fact that anyways the cable operators run it and that in any case damages my theatrical box office. If I narrow the windows it is a win-win situation

for everybody but technology takes a little time for everyone to understand, the first reaction is always to resist change.

**Abneesh:** And sir lastly on the broadcasting front are you seeing an uptake in the overall ad environment and any ad rate hikes are being for your channel sir?

**Ronnie:** I think all our effective rates on Quarter To Quarter basis have gone up by 30-40% across our 4 channels and I think the people who are going back to spending whether it's in the financial service or any other sector I think it is pretty much back to normal in that context. And again in the first quarter outside of the fact that advertising was slow I think there is a fair amount of herding happening for the IPL in cricket and I think that has also got rationalized. So it has gone back into the entertainment space again. For multiple reasons that the cricket is there but it is not as in your face as it has been, even in September I don't think we had a cricket scoring such high ratings. So I think everyone has balanced on the advertising spent to the entertainment channels too.

**Abneesh:** Ok sir, thanks for taking my questions.

**Ronnie:** Thank you.

**Moderator:** Thank you Mr. Roy. Ladies and gentlemen before we take the next set of questions we would like to remind participants that you may press "\*" and "1" to ask a question. Our next question is from the line of Mr. Mayur Parkeria of Wealth Managers India Pvt Ltd. Please go ahead.

**Mayur:** Good morning sir and wish you a very hearty congrats for nice results.

**Ronnie:** Thank you Mayur.

**Mayur:** And I do appreciate the games update which comes regularly so that's a very nice thing which you have started. Thank you for that.

**Ronnie:** Thank you.

**Mayur:** Sir my question actually relates to annual reports which came in the month of around September, there is a provision for contingency of around Rs. 42 crores and the explanation given was this amount was charged because of some global slowdown. So can you just add some light on what exactly, which movies and which games it pertains to and why?

**Ronnie:** Yeah, the clarification is quite simple, basically last year in our other income we had recorded foreign exchange gains overall and we were making provisions against foreign exchange gains primarily because of the simple reason that the dollar did go to 50.5, it is going to go down at the end of the day to 47. So the yo-yo is not something that we wanted to necessarily, the other income is not recognized in any significant manner there and therefore it was prudent accounting for everyone that we should just take that specific income as a provision for the forth coming year to adjust the currency up and down on our Quarter To Quarter basis.

**Mayur:** So it was on the topline in other income...

- Ronnie:** [Unaudible]
- Mayur:** So the capital employed right now we must be having around close to Rs. 500 crores of that?
- Ronnie:** That is correct.
- Mayur:** So that will actually mean a net difference of only Rs. 200 crores, infact get added more.
- Ronnie:** That is correct, if we go out and raise 750, I had clarified yesterday that our limit is upto 750. So our range will be anything between 500 to 750.
- Mayur:** So actually will it reduce the debt, will it reduce the capital employed drastically from Rs. 2000 crores to Rs. 1350 crores?
- Ronnie:** Because I think overall in the movies division we are looking at therefore the releases and the encashment of some of our libraries and the syndication and the actual physical release of the movies over the next 3 quarters by June of next year. I see the broadcasting revenue now looking at something that we will look at the liquidity events necessarily on that. Gaming part will take a little bit of time because basically our 3 IPs is where really the investment in that segment in business. And obviously we have a complete interest reduction in cost between Rs. 50-60 crores after the QIP.
- Mayur:** We had planned to reduce the capital employed basically through co-production agreements in gaming and movies?
- Ronnie:** I missed that out, you are right. In the co-funding both in gaming and that but it will be also be part of the plan. If not heavily budgeted and that will add to the efficiency of it.
- Mayur:** Sir if I get it correctly this 750 plan to raise, is it not instead of the co-production, it will be along with that?
- Ronnie:** I think the two are not connected in that context, no. And I think again I would look at more Rs. 500-600 crores, not 750 and anything in co-production would go as a separate as and when they happen.
- Mayur:** My last question on broadcasting, you are saying you are looking around 75% growth rate for the next 2 years, the current quarterly run-rate is around Rs. 27 crores on the topline and in the last year we did around Rs. 89 crores on the broadcasting. To have 75% growth is it that we are seeing a significant jump in Q3, Q4 topline and why are we expecting that?
- Ronnie:** I think again there is one clarification here, the 89 comprise of syndication revenues and not operating revenues. If you take the operating revenues out in broadcasting we would see that rise there.
- Mayur:** And how much it is sir?
- Ronnie:** I don't have the breakup here but Amit can give you offline and give you the full details to show you how the growth is coming through.
- Mayur:** And this year how much we are expecting from operating that means?

- Ronnie:** Operating will be 100% plus.
- Mayur:** Sir I will come back with the follow-up questions. Thank you very much.
- Moderator:** Thank you. Our next question comes from the line of Mr. Aditya Mathur from Citigroup. Please go ahead.
- Aditya:** Hi. First and foremost I think the gaming business has done very well this quarter. I know we should not look at it on Quarter On Quarter basis and I think in the opening remarks you had mentioned the reason why the gaming business performed so well. Can you give us some more details on that please?
- Ronnie:** Specifically on this quarter?
- Aditya:** Yeah this quarter.
- Ronnie:** It is primarily based on our console gaming business which is through Ignition and it was primarily for two games, *Muramasa* and *King of Fighters* that we released, both Japanese games that were released in the US and both did very well. So I think our publishing activity is starting to kick in but our IP is still end of next year.
- Aditya:** So it will be fair so you would still stick by your Rs. 1.5 billion guidance for this particular year for gaming?
- Amit:** Yeah it will be in the range of Rs. 1.3 to 1.5 billion.
- Aditya:** Fair enough. The other thing was in terms of below the operating lines if you look at the interest cost I think they have almost doubled Quarter On Quarter. I see that debt has increased by Rs. 100 crores within the last quarter but what is the reason why the interest cost have gone up so sharply?
- Ronnie:** I guess primarily because we have taken the debt and I think very bluntly we were looking at inflows coming in from a warrant which is not necessarily been consummated because of stock price up or down in that context. That would have been there we wouldn't have been at debt levels we were in, that is why the QIP.
- Aditya:** The other thing on broadcasting I see that the EBITDA loss has actually gone up this quarter, the trend set you have seen previously. Any particular reason, what are you guys investing behind?
- Ronnie:** Firstly, Quarter To Quarter as I mentioned yesterday I am repeating, the clarification is that the last quarter, same quarter last year was a 45 day quarter, these channels were just starting up at that time. So actually the loss has not increased in that context. On Q on Q basis to that extent you will find that we've augmented our distribution spends in this quarter and actually picked up a lot more movie titles and I think those will be the two key additions as far as that is concerned. And we would see that completely averaging itself out from the revenue increase that would come because of our increased reach of the four channels.
- Aditya:** I know you can't give guidance so basically are you trying to say that the margins per say should sort of even out in the second half?

- Ronnie:** That's our absolute goal, I think we did a 6 months slowdown overall at that particular point in time when the overall economy is slowing down. I think that slowdown we stopped. So we are back in proper mode to grow this into a proper network.
- Aditya:** Alright. Thanks Ronnie.
- Ronnie:** Thank you.
- Moderator:** Thank you Mr. Mathur. Ladies and gentlemen before we take the next question we would like to remind the participants, you may press "\*" and "1" to ask the question. Our next question comes from the line of Mr. Mayur Parkeria of Wealth Managers India Pvt Ltd. Please go ahead.
- Mayur:** Thank you for taking my questions again sir. Sir can you give how much is the average programming hours for the quarter 1, the programming hours in the content side?
- Ronnie:** Programming hours in the TV content?
- Mayur:** Yeah.
- Amit:** I think that will be miniscule in this particular quarter because there was only one programme that was running from our side as far as this quarter is concerned.
- Ronnie:** Over and above would be the airtime sales, I think we still average about...
- Amit:** 100 hours a month.
- Ronnie:** The 100 hours per month would be a *SunTV* block.
- Mayur:** Actually sir that is my next question, on airtime sales as well as on the content side, the programming we were at a peak of around above 60 hours per quarter and on the airtime we were about 135 hours average for the month and we have on both sides we are saying that content has almost become miniscule and airtime sales has closed back to 100. So where is this, why is this kind of a drastic fall and how would you like to explain this and how?
- Ronnie:** For airtime sales, I think we can go through the figures. I do not have that specific count with me ready but clearly there is no downward trend in airtime sales at all. Infact there is an upward trend and for the first time in the last two quarters, now more than ever our airtime sales is about our own productions as much it is about co-productions and acquired productions on the overall *Sun Group*. So airtime sales is actually growing in terms of hours, in that context, our TV content does go up and down on Quarter To Quarter basis. As I mentioned that is something that we are looking at to refocus on but it has not been a high focus area for us till date. So we do have shows on a one off basis.
- Amit:** One more clarification, as far as the airtime sales part is concerned we may have gone down on the number of hours on an absolute basis but our average realizations has always been on an upward trajectory. So from that perspective that is evened out and we have better realizations from there.

- Mayur:** Ok. And sir now with the restructuring of movies business from Mauritius, will it impact the tax rates?
- Ronnie:** No, we don't believe so in that context. We never went overseas for any tax purposes at all.
- Mayur:** Ok. So there is no impact on the tax rates?
- Ronnie:** No adverse impact normally would have done with where we are operating in any other geography.
- Mayur:** And sir we have a warrant issue to *Walt Disney* in *UGBL*. Can you show some timeline as to when that will be exercisable possibility, the timeline on that sir because that will increase the funds directly...?
- Ronnie:** Not before 4 years.
- Mayur:** So all the money which we plan to invest right now is through us only?
- Ronnie:** Yeah and that is not increasingly significantly but yes.
- Mayur:** And sir my last question is again on the news *UTVi* side, after the *Bloomberg* association sir we earlier also had a *Disney ABC News* association so is it continuing still?
- Ronnie:** No, we replaced the *ABC* with *Bloomberg* because *ABC* is much more general news and we couldn't do both so we placed with *Bloomberg* and *Disney* has been very accommodative to allow us to do that.
- Mayur:** Ok. Thank you very much sir and all the best.
- Moderator:** Thank you. Our next question comes from the line of Ms. Swati Nangalia of IDFC SSKI. Please go ahead.
- Nikhil:** Hi Ronnie, Nikhil here, just a couple of more things. Specifically if you can just roll through the movie profitability per say given that this quarter we've had an accrual from '*Happening*' of around Rs. 40 crores how has the movie business of the historic releases shaped up in terms of profitability. That was one issue and second was just to understand this capital employed bit, if we are going to reduce our capital employed by around Rs. 700-800 crores over the next 6-9 months do we seriously need to raise the capital right now?
- Ronnie:** I will take the second one and Amit can take the first one because it is historical, I am not doing any forward projections but specifically your questions on what has been your contributing factor between '*Happening*' and '*Syndication*' and mobile and satellite and '*Kaminey*', he will answer that. As far as the capital reduction is concerned I think as we go forward on a debt basis we are not that comfortable to scale up in that context. We therefore do want to see that we can raise upto Rs. 500 crores to see whether that takes care of our present debt structure and our interest because it is necessarily not something that we had originally budgeted for in any case. Overall between Disney and promoter group we are much more comfortable with low debt and gearing in this context from that point of view. So to that extent I think the decision for us to move forward with the fund raising does make

sense even though we are looking over the next 9 months for us to find liquidities in our movies and to a little extent in gaming.

**Moderator:** Do you have any other questions?

**Amit:** As far as the movie profitability is concerned broadly in this particular half I have first half numbers from moviewise details. We have primarily '*Kaminey*' contributing approximately Rs. 30 crores, as far as '*The Happening*' is concerned it is approximately Rs. 57 crores in the first half. We had releases of, regional releases of *Wednesday* in Tamil and Telugu markets which contributed about approximately Rs. 15 crores and apart from that the music sales of '*What's Your Rashee*' and other few movies put together contributed approximately around Rs. 15-20 crores of the whole thing. Plus the library sales of few of the past movies put together, they contributed another Rs. 25-30 crores. So that's the broad breakup of the whole movie segment and revenues from that perspective and the overall realization we had was in the range of approximately Rs. 50 crores out of it, the gross profit.

**Nikhil:** If one has to just take a benchmark for capital employed last year in movies was around Rs. 725 crores that is yielding us Rs. 25-30 crores on a sustainable basis for the historic capital employed?

**Amit:** On a quarterly basis.

**Ronnie:** If I can just add one note there, I think your point on capital employed is absolutely fair, it is not that the management does not look at that on a Week To Week basis but I think for us to reach critical mass beyond growth mode it cannot be equated on that basis because I think for us to have predictability because we are getting our cost model right in the motion pictures division and we need to make sure that we have a slate, harder and faster than anybody else for us to have that stability in our business. So we will to the extent if it is necessary for us if we were completely focused on capital employed to have atleast 6 of our next year's releases 50-75% under production. I think we were looking at it from a Marwari approach, the answer would be no but I think from the overall corporate future gazing approach it works for us to then have flexibility to add and grow the business, I think that really were as much as the best discipline we can put in there, we are doing some forward thinking.

**Nikhil:** I don't know that whether you have time for this but if you can just give anecdotally just the economics of one of the movies in the last 2-3 years which has done exceedingly well and the economics of profits for us and one of them which has done fairly poorly and how much we have lost on that?

**Ronnie:** I mean two examples, I think '*Wednesday*' would be a good example where we produced the movie for Rs. 3.5 crores and I think overall profitability in its Hindi release. We then went about having a Tamil and Telugu version where we got another Rs. 15 crores in revenue and about Rs. 5.5-6 crores closer to the bottomline on an overall Rs. 3 crores movie. So I would say something like that overall if you see that in that context it could in broad sense anecdotally be 200-300% margins. If you take '*Kaminey*' I think the cost of around Rs. 29-30 crores, in that context your theatrical contribution is about Rs. 50 crores which we get about 47-48% share and with fair amount in terms of

music. Infact I think the music company made a lot of money because of one of the songs there and in that context television and satellite we just about starting to negotiate in these coming two quarters and of course home video. We earn a significant portion just by taking the audio tracks from movies and putting them onto mobile and we are having a stable income starting off now in this quarter of these audio tracks from some of our movies so that kind of adds straight into the bottom line.

If you take a downward movie in that context, you would see anecdotally a *'Delhi 6'* where our production cost was X and then box office wise I think we did about Rs. 28-30 crores but I think on television, home video and music did exceptionally well before that but you could be staring at a Rs. 5-7 crores negative in that context. So I think on an average that would be anecdotally, I don't have the figures but happy for Amit to plunge into the details.

**Nikhil:** Ok. Thanks a lot.

**Moderator:** Thank you. Our next question comes from the line of Mr. Harshwardhan Agarwal of Unify Capital. Please go ahead.

**Harshwardhan:** Good morning sir.

**Ronnie:** Good morning.

**Harshwardhan:** Sir movie *'Main Aur Mrs. Khanna'*, *'Wake Up Sid'* can you elaborate on the co-production?

**Ronnie:** Yes, I think *'Wake Up Sid'* is a co-production with *Dharma Productions* which is *Karan Johar's* company, in that context on a 50:50 basis after we recover all of the proceeds from the that thought process. *'Main Aur Mrs. Khanna'* actually we are in the process of renegotiating that production and I think we will be in a better position at the end of next quarter to give you a thought process. As I mentioned in our earlier call yesterday we kind of disassociated ourselves from that movie by 2 months back and therefore there is no branding of *UTV Movies* and you must have noticed it as far as that is concerned. So in the process of renegotiating that with that production company specifically and I think that I will be able to elaborate more in Q3.

**Harshwardhan:** And sir *'What's Your Rashee'* can you elaborate on the cost and how much has been recovered for that?

**Ronnie:** We haven't sold satellite rights, we haven't sold home video and we haven't sold all new media rights in that context and I think it is a lower budget movie and it is not a high budget movie because it had a small star and a lead heroine in that context. So I think again because it has only been in the last few days of the quarter I think it will be correct for us to give full numbers in the next quarter on that. As I explained both on these two, on *'Main Aur Mrs. Khanna'* we are clear that we need to figure out how are we going to renegotiate the contract with the production company and *'Whats your Rashee'* we need to see how television and the new media rights hold out and home video, all 3 have not been released.

**Harshwardhan:** Ronnie can you just elaborate on the exploitation revenues for this year and the next year?

**Ronnie:** What?

**Harshwardhan:** For the movies sir.

**Ronnie:** Overall I think?

**Harshwardhan:** Yes overall.

**Ronnie:** I am not sure I can give a broad answer to that unless I really understood your question. I think we are releasing between 10 and 11 movies, the exploitation cycle are across multiple revenues streams I am not quite sure how to answer the question, it is little bit more specific. In the sense if you are asking us at this point in time we have one more big release outside of 'Wake Up Sid' in this quarter which is 'Kurbaan' and in the next quarter which is Q4 we will have 4 movies.

**Harshwardhan:** Ok. I will get back to you on that sir.

**Ronnie:** Sure. Thank you.

**Moderator:** Thank you Mr. Agarwal. Ladies and gentlemen if you have a question please press "\*" and "1" now.

**Mihir:** Can we have a last question please?

**Moderator:** Yes sir we have a follow-up question from the line of Mr. Mayur Parkeria of Wealth Managers India Pvt Ltd. Please go ahead.

**Mayur:** Sir thank you again for taking my question. Sir you have just mentioned that for the first time we have been monetizing our past library about 12-14 movies. Now it is interesting actually the scenario which is coming up we do have forward verticals by broadcasting our own movies channel and we are selling the library to the other broadcaster. So can you just throw some light on how is this economics and how do we decide that on what basis. Instead of monetizing the same movies on our channel we are selling the library outright and what I am just trying to understand...

**Ronnie:** I have understood your question and I can answer that very clearly. Each of the verticals work purely as their own profit centre and they will do whatever is best commercially in their best interest and therefore wearing our motion picture hat it is in our best interest for us to get the best price for our satellite rights in that context. Number 1, if they do get exploited on our own channel but because there is syndication model it could be on the second cycle or the third cycle which was not the premier but 2 months later and 3 months later. But we have still realizing gains from selling it to other channels on premier basis. Number 3 when we are selling it to some of the other networks, all of them have networks Zee, Sony, Star that have general entertainment channel and movies. So I had the ability to pay a higher price because the realization to do it over 2 channels, one at GEC on a weekend is much higher. So therefore it makes more sense for us to look at a second, third or fourth exploitation cycles rather than premier cycles on our own channels.

- Mayur:** Ok so when we say that we are selling the library we do have the right of exploitation at the third cycle or at subsequent cycles later on?
- Ronnie:** That is correct.
- Mayur:** And sir one last question we have some stakes in *India Games* from 6.5%?
- Ronnie:** In *India Games* about 60%.
- Mayur:** No, we sold stakes in *India Games*...?
- Ronnie:** No, we never sold any stakes in *India Games*. The amount that we have invested is the amount that we have and we have not sold and our stake is in the range of 60%.
- Mayur:** Ok sir. Thank you very much.
- Ronnie:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Mihir Shah for closing comments.
- Mihir:** Thanks everyone for being on the call and thanks to the management for giving us the opportunity to host the call. I wish you all, all the very best for the coming quarters.
- Ronnie:** Thank you very much and thank you everyone.
- Moderator:** Thank you gentlemen of the *UTV* management and Mr. Shah. Ladies and gentlemen, on behalf of Prabhudas Lilladher that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

---

**Note:** This document has been edited to improve readability