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**INVESTOR CALL – OCTOBER 14, 2010**  
**RESULTS - QTR ENDED SEPTEMBER 30, 2010**

**Moderator:**

Ladies and gentlemen, good afternoon and welcome to the UTV Software Communications Limited Q2 Earnings Conference call hosted by Alchemy Shares & Stockbrokers. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. 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. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Mihir Shah from Alchemy Shares and Stockbrokers. Thank you and over to you, Sir.

**Mihir Shah:**

Thanks. On behalf of Alchemy, let me welcome you all to the Q2FY11 Earnings call for UTV Software. From the management today we have Mr. Ronnie Screwvala, CEO, Mr. Rajeev Wagle, Group CFO, and Mr. Amit Banka, Senior Vice President – Business Development and Strategy for UTV. Without taking much time, I would like to pass on the floor to Mr. Ronnie Screwvala to discuss the quarterly results and other key developments during the quarter. Over to you Sir.

**Ronnie Screwvala:**

Good afternoon. Thank you everyone for joining us. I also have with me outside of Rajeev and Amit, my colleague Santosh, MK Anand, and Sid physically here with me and some of my colleagues from Ignition and India Games joining us on the conference call, if we need to get into any specific Q&A on those businesses. I have about six key summary points that I would like to walk through. I think that the results speak for themselves as do the investment notes circulated in the earnings release. I would just like to reiterate the key points and then jump straight into questions and answers. Number one, we are pleased with the Q2 results; they are completely in line with what we talked about, and planned. If you look at the first half of the year we have an overall of 37% growth in the topline, and our EBITDA and PBT have also grown substantially. If you look at the mix of revenue in the first half of the year, television contributed about 35%, motion pictures 53% and games and interactive about 12%. For the full year we see that mix in the range of about 30%-35% for television, 40%-45% for movies and about between 20%-30% for games and interactive.

If I then go into the second segment, I would like to quickly walk you through the headlines in each of the three verticals and talk specifically about one or two key initiatives in development. Just on a vertical-to-vertical basis, I think you would have noticed that as an integrated company we are more or less looked at in three broad segments and therefore to communicate that very clearly we therefore looked at our television business as one because it is in every aspect of the word now moving forward as one, because whether we do airtime sales in the south as a quasi broadcaster or through our broadcasting or TV content with the formats for which we do that work very closely between the two divisions. So we represent television as a whole as much as every other listed entity in the space looks at television space as one entity totally.

I think we are happy with the progress that we have made overall in the television segment. On the content side both on the Sun network and in the Hindi segment we have talked about launching two or three new shows this quarter. All of them have been launched and our earnings release talks about the shows that are currently on air. We are happy with the revenue growth and progress made by our channels. Bindass is clearly and consistently a youth channel leader



in the space with a substantial lead over its close competitors, including some of the new channels. UTV Action continues to have its formidable run in terms of being a good market segregator. So, I think overall, we are happy with the performance of the channels too.

I think, in the motion pictures space also we are happy with the performance of the five movies that have been released till date, starting with Rajneeti to Peepli Live to many of the others. I need to clarify a question that a couple of people raised informally this morning, about quarter revenues going from Rs 130 crores to Rs 120 crores QoQ. There has been substantial growth in the motion pictures division. The amount of 130 crores in the comparable quarter last year includes approximately Rs 43 crores from “The Happening” which is a Hollywood movie, and approximately 20 crores from Syndication. If you take out these two revenue items, we are left with Rs 67 crores of revenue versus Rs 120 crores in this quarter, which is a fair comparison. This is just a small clarification because a couple people asked this morning.

I think in terms of games, we are happy with the progress that Indiagames has made and I think the overall headline you will notice from this quarter is all our three operating divisions, television, games and interactive as well as movies are in the black. I think Indiagames also, for the first time in this quarter, even though it is an investment mode in mobile and some of the other B2C initiative was in the black, and so has True Games and Ignition all three on a consolidated basis, each one of them.

Primarily, I want to highlight two key initiatives here. One, as far as Ignition is concerned, we are happy with the progress that the publishing part of the division has made. The key development we have discussed for the second half of the year is the publishing alliance that we are looking to form with an external publisher for El Shaddai. I am pleased to report that we are pretty much on track with that development too. We did for all purposes, commercially release, the first look of the game at the Tokyo Game Show in the middle of September. Any of you who are web friendly and run a Google search on El Shaddai will find that it has had an incredible amount of fan following at the retail level as well as from large publishers. Microsoft and Sony both remain extremely well committed to the game. As we speak today, four large publishers, two Japanese and two American, have a playable version of the game for PC, PS3 and Xbox 360 for the next two weeks to play in their R&D departments. These publishers have invested a fair amount of time to visit our studios and chat with our people through three or four meetings, to come up with a firm proposal for a publishing deal by the end of November. So we are pretty much on track with that. I think that even for Reich we should be able to subsell some of our digital rights, if not the main rights for the game, for which we have started negotiations.

I think the only other initiative that has taken a fair amount of top management time in this quarter of July, August, September and will continue to occupy time in the future is really our very, very high focus on what is happening in the 3G and 4G space, and overall in the mobile environment. And of course, these are starting points for us right now but we think we are extremely well-positioned to really take a hard look at the 3G and 4G space. I personally am a very firm believer that while the broadcasting industry took almost 20 years to get to being a Rs 16,000 crores industry, the revenues from mobile overall at a consumer spend level reaching that same level of Rs 16,000 crores and more, could be achieved in the next two to three years. This revenue will be a function of the consumption pattern, the 600 million plus consumer base and third most importantly the advent of the 3G and the resultant marketing push from the telcos. So, we definitely want to play an extremely formidable position and I think we are well-positioned that both as a games leader in the mobile and online space and as a content leader when it comes to television and motion pictures. I think the best example I can give you, would be that just when we launched a small product for us called audio cinema, which is a re-versioning of some of our movies and aggregated movies, which has reached a consumer spend level of 3 crores a month from zero. So, UTV has a very strong involvement in this space. I think we are well-positioned; we have already started investing in this space. We have some tie-ups with telcos to originate content from them when they reveal their 3G space and I think in the month and the



quarters to come, you will hear some favourable announcements from us on that side. I do not think that I will be able to specify more details than I have right now even, in the Q&A.

To move on to my next point, at the last investor presentation that we made in July, we talked about our overall annual guidance for our growth this year. As I said, I am giving you the broad break up of where television, movies and games and interactive will land for the full year and I just want to re-endorse that we are pretty much on track based on the overall guidance for the year given during the first quarter. We see no deviation in that at this point in time.

We have maintained very strongly that we want to remain a consolidated entity, however that hypothesis does get challenged from time-to-time, especially when pure play companies list. There is always the big question of whether remaining consolidated is based on any rationale. We believe that our model will prevail as we go forward, not just in the two or three year of framework, but even in the next one year framework and going forward. That being said, although we have been tempted to look at liquidity events at the subsidiary levels, we have restrained ourselves, and wisely so, and with the support of our strategic, Disney. Therefore if you look at our leveraging, we think it is still at a very healthy level. Presently, we have finished more or less our investment modes although, by and large, we will always continue to look at opportunities strategically on a day-to-day basis. For our present business and what our present business will throw up in terms of profitability and cash I think we are pretty much done with our investments. We will therefore, look at bringing down our debt figure through a combination of profitability and internal accruals and one or two key strategic liquidity events as we have always talked about, though we have at this moment nothing specific to add to that.

So by and large in terms of future growth I think this year we are pretty much on track based on what we said we were going to do and that in itself actually talks about a 75%-80% more growth at the revenue line, which in itself is quite substantial for a media company of our size and I see to growth engines in 2011 and 2012 to continue to remain the fact that broadcasting will be buoyant and because of that our television business which even if it ends at over Rs 350 crores plus this year which is a substantial jump we will see a fair amount of growth to be a pretty formidable player in the television space, movies will continue to grow in terms of our slate, I think that in the gaming segment, as soon as that model becomes more clearly defined with the first publishing deal you will suddenly see the texture of the console gaming part coming in. I think our mobile space in India is really where our next growth focus will come in for next year and there is a lot to be told as far as that is concerned.

So, I think we are happy with what we have achieved for this quarter, and we are pleased with all the support that we have got from people. We are happy to answer questions.

**Moderator:**

Thank you. The first question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

**Mayur Parkeria:**

Let me add one major broad question on the movie vertical side and then I will discuss some outlook questions. With the listing of our standalone movie business now and one of the competitors who just recently got listed, if one looks at model there it distribution plus Co-production primarily and that is what will bring scale to that movie, if we look at our model it is primarily own production now mainly own production driven and whereas we release 10 to 12 movies a year, they are in the possible situation to release may be a three digit number somehow though it has been more proven in the international side but now with the presence in India they would also be slightly more aggressive. I just wanted your understanding on how do you look at



that model and even from a to a library point of view, will it make sense to have a slightly more balanced view on the distribution and Co-production side and try to be slightly on that side of the balance?

**Ronnie Screwvala:**

Right, I will answer that question in three parts. I urge you to understand what you read. To further understand the actual model, a movie gets produced and then it gets distributed that is all that really happens. When I produce the movie with Karan Johar it is a Co-production. When I do a movie with Sanjay Leela Bhansali, it is a Co-production. So there is actually no difference between production and Co-production. We do produce our own movies so out of the 12 movies we will do, we will do six or seven and we will Co-produce six or seven. They are saying distribution that is what everybody does. So compared to any studio we distribute as much as them. Actually the business model is identical. Number two, I would like to see a piece a paper which talks about anybody looking at triple-digit production and distribution figures that would be staggering. I would stand to get corrected if anyone can do anything more than 12 to 18 movies a year it would be completely staggering, so either you may have read something wrong or I do not have comment on that because there is nobody. Basically I can tell you that 20th Century Fox releases 40 movies a year. So if there is a motion picture company in the world that is talking about releasing triple-digit movies a year, I do not have a comment to offer in retaliation to that at this point in time. Third, I can only reinforce the fact that the minute you start acquiring movies at a premium with a minimum guarantee, whereby you are giving already a percentage of the profit to a person for selling it to you, you are increasing your risk profile. I am not giving that we would ever one pursue that. I hope I am able to answer your question in totality.

**Mayur Parkeria:**

So basically we would at the max moving from 10 to 12 or we may look along with the market to go on to let us say 15 or 17 is what we may look into and that will also be primary driven full either production and Co-production and not through acquiring in the distribution model?

**Ronnie Screwvala:**

I would not say yes to any of those. I do not have a fixed benchmark of whether it is going to be 12 or 15 or 17. I think we have grown year-on-year and we will grow at the right levels and limits. Today I do not believe this year, box office wise, there will be anyone larger than us in terms of revenue. So let me put it clearly this way, I do not believe there is any company that is going to report a larger box office contribution than UTV. So to that extent, we consider this as the number one studio. So if anyone actually is looking at statistics whereas somebody is releasing more movies and therefore can do 10x than we are it is not likely and it is not likely from our perspective either. So we do not want to restrict ourselves whether the question is it will be restricted to 12 or 18. I think we will grow, we will grow through a mix of combination of A) our own production, B) Co-production and C) there is a lot of expansion in the regional market that we are going to see, but at this point we are focused on growing the Hindi market.

**Mayur Parkeria:**

Okay, on the games outlook side, can you give us a little more specific understanding of the plans for El Shaddai or even Reich? What we are planning? Will it be released in the third quarter or is it scheduled for fourth quarter. The only reason I am asking from the quarterly understanding is the staggering revenue which will flow because of this. How will it be spread is what I want to understand?

**Ronnie Screwvala:**

I guess what you mean by staggering is not voluminous and huge, but the distribution of revenues right?



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**Mayur Parkeria:**

Okay.

**Ronnie Screwvala:**

So to answer your question, at this point as I have reflected in the past, the first benchmark is to close a publishing deal for El Shaddai. Once I have a publisher, we will jointly look at a release date, so it would not be fair to commit a quarter of release right now. My goal as a company is to deliver a publishing deal which assures me revenue. Once I have an assured amount of revenue then it is a question of mutual consent as to when we release the game. So yes the delivery is in the second half of this year, but we have to secure the guaranteed publication deals and that will give us the minimum guarantee on the game. That is how it will work.

**Mayur Parkeria:**

Okay but as of now we are looking only for one that is El Shaddai?

**Ronnie Screwvala:**

For this financial year we made it clear even at our July presentation that we will look at one, but it will be a pleasant surprise if we do two. This is not budgeted in our growth pattern at all right now. In our outlay and our earnings for this year and our growth is 75%-80% we have actually really budgeted one.

**Mayur Parkeria:**

For the broadcasting side if we actually strip the broadcasting into the two subsidiaries which we have the Gen-X and the Entertainment, it is Gen-X, which has been slightly on the profitability level or a slightly loss making side whereas the other two movie channels the Entertainment is quite positive on that side. So how do you see the Bindass Channel and UTV Action are also in the Gen-X so combined both these together how do you look at the profitability side and when do you expect this to turnaround on that subsidiary?

**Ronnie Screwvala:**

I am not sure where you are getting your information from to be honest, because I do not see how you are extrapolating any information on Gen-X. That is news to us.

**Mayur Parkeria:**

It is an annual report subsidiary information talks about revenues of Gen-X and profitability of Gen-X vis-à-vis...

**Ronnie Screwvala:**

But I would urge you that when you are looking at broadcasting you have to look at all four channels because their distribution costs are expensed together. I would urge you to please look at our broadcasting bouquet. I think when you are looking at Zee's 25 channels I am sure you are not looking at three versus 23 and how many are lost either, you are looking at a bouquet. So I would urge you that when you are looking at our broadcasting segment you need to understand there are lot of costs they may get bifurcated. If I have a 180 people working for me, I cannot tell you exactly when I am running a bouquet what is the supplementary skills that we use with people. There is a sales force of 63 that work together to reach a monthly and annual target. So I would urge you that as far as we are concerned as a bouquet of all four channels they are profitable.

**Mayur Parkeria:**

And we will be profitable, we will maintain this profitable as we go ahead?



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**Ronnie Screwvala:**

I think we have turned around the corner as far as the four channels are concerned and therefore based on these four channels yes, we will want to maintain this profitability, which frankly, is ahead of the schedule that we talked about at the beginning of the year.

**Mayur Parkeria:**

I have just one question for Rajeev, if you can put the highlight on the outlook for what is the tax status would be by the year end?

**Rajeev Wagle:**

As I said we need to review, on a half yearly basis we had looked at a PBT is equal to PAT, that will be MAT at the end of the year we will review it, but we expect it to be in single digit.

**Ronnie Screwvala:**

Let me just be absolutely clear, only primarily we have had carry forward losses in the past because we have been in the investment mode and that is the reason we are seeing that. That is it.

**Mayur Parkeria:**

So, earlier in the presentation also we were expecting around 8% to 10% because the first half has been absolutely nil, we still hold that it will be around 8% to 10% as we go ahead?

**Ronnie Screwvala:**

Correct.

**Mayur Parkeria:**

I had a data point, in the opening remarks you mentioned about The Happening and Syndication revenues and if you split that then we have grown the movie business from almost Rs 67 crores to Rs 121 crores. How will the current quarter slip of movies between Hollywood Syndication and others?

**Ronnie Screwvala:**

Now I think there are too many listed entities in this space for us to start giving confidential information to people on a per movie basis, so we are not going to volunteer that; however, because the query about how movie revenues are flat year-on-year came about, we want to correct that impression. Last year we had Hollywood movies, which was a one time revenue there. This quarter I do not believe there is any contribution from these two, Hollywood or Syndication, of any significant nature.

**Mayur Parkeria:**

But this Syndication, we had done a couple of presales of the library which was expected...?

**Ronnie Screwvala:**

Syndication is a very maligned word and I think it needs to be kind of understood again. When we sell a first cycle it is called a sale, when I do syndication is when I do a second cycle revenue, which is pure income to me because it goes straight to my bottom-line, so I urge you to make a differentiation between our first cycle sale and our revenue based on ancillary rights which includes television rights or music rights, etc., and the second cycle sale, which we term as syndication.

**Moderator:**

Thank you. The next question is from the line of Shika Jalan from Smith Securities. Please go ahead.



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**Shika Jalan:**

My question is on the publishing deal which we are planning to enter in November, can you divulge some information on the deal details as in the set criteria for the deal let us say this many units seems to be sold out, this much value has to be there in the deal, any expected ballpark figure on your side?

**Ronnie Screwvala:**

No madam, I do not think we are in a position to commit the ballpark figure. They will first give us a minimum guarantee with a revenue share. There is a lump sum we will demand upfront from that perspective so that we can once and for all establish the benchmark for the game and following this, there will be a substantial revenue inflow. The digital rights become a new revenue generator, sequel becomes a fresh revenue stream, motion picture rights become possibly a third revenue stream. These are all outside of the first cycle revenues of the game. However, if the somebody wants to come in and take over the whole game they will have to pay us a much higher consideration and the entire benchmark changes to a very high amount.

**Shika Jalan:**

So can we have two to three publishers together for one game?

**Ronnie Screwvala:**

We could, if somebody says I want to do Japan, somebody else says I want to do United States or you want to do Europe.

**Shika Jalan:**

Also if I understand it correctly the revenues which we will have once the deal is done let us say in the fourth quarter or third quarter whichever it may be the expenses' for those games will be recognized on the same quarter or will it be spread over?

**Ronnie Screwvala:**

It would be recognized in the same quarter. That would be in the normal cost. It is like our content in what we do everything else with all our other content.

**Shika Jalan:**

So basically you mean to say that the expenses for the El Shaddai or Reich has already been taken in the profit and loss numbers, which we have right now?

**Ronnie Screwvala:**

In the projections you mean?

**Shika Jalan:**

No in the current quarter or the last quarter, which we had?

**Ronnie Screwvala:**

No, like what is work-in-progress stays in the balance sheet till the revenue recognition time, when you recognize the revenue you will recognize the expenditure as well.

**Shika Jalan:**

Okay, great. Secondly, I was asking about the EA partnership deal which we have. We are basically partnering with Indiagames with Electronic Arts, right? So can you give me the deal details there? What is the agreement there and what kind of revenue are we going forward expecting from them because EA is like the largest player?



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**Ronnie Screwvala:**

EA is now a significant player, but actually there are a lot of Chinese companies who have become larger game players than EA in that context. We cannot give you specifics on that, there are three other game companies who are bidding for the same rights that we have now negotiated with them. So it is definitely confidential information for us to pass. This is basically a relationship with EA to give free flow of their games on our online GoD platform created by Indiagames.

**Shika Jalan:**

As of now we have not decided on what kind of revenues you can have from EA?

**Ronnie Screwvala:**

That is not what I just said, I just said it will be difficult for us to give you the deal terms because it is strictly confidential and there are three other competitors who will be bidding for something similar.

**Shika Jalan:**

I understand. Second thing is we had an agreement for Mercury basically and we said that we are going to lease it across in March and February 2011, so who have we done the agreement with and what kind of revenues are expected there, Sir?

**Ronnie Screwvala:**

I think whatever revenues we have talked about in Ignition are built into our entire IPs and publishing part. Mercury is our own title firstly. It is not that we need to do a deal with anyone, and if it is not in our studio and it is given to a development studio it is on a commissioned basis. So it will be on a cost basis in that context. I again cannot sit here and explain what this deal is, but it is part of our publishing figures for this year and next year.

**Shika Jalan:**

Do we have any other publishing games in FY'11 besides Blacklight Tango Down?

**Ronnie Screwvala:**

Yes we do have.

**Shika Jalan:**

How many are there?

**Ronnie Screwvala:**

Consider another three or four more games from our publishing business will be released between now and March 2011.

**Shika Jalan:**

Three or four more?

**Ronnie Screwvala:**

Yes. We did say we wanted to go with just one or two questions so if you want to circle back and ask a few more you can call in otherwise holdup.

**Shika Jalan:**

Definitely. Thanks a lot, Sir.

**Moderator:**

Thank you. The next question is from the line of Aditya Mathur from Citigroup. Please go ahead.



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**Aditya Mathur:**

Just a couple of questions from me. First of all could you please provide us a split between the TV Content and the Broadcasting business? We are just trying to see the YOY delta in the profitability in these two subverticals, can I call it? And secondly, the net debt levels are actually up by about Rs 100 crores during the quarter, it is around Rs 1,000 crores now, but if you look at the interest cost they seem to be extremely low. What exactly is the cost of debt? I do understand as part of the interest cost can be capitalized as and when the game or a movie may be released, so what should be the net interest expense that you know, one should take for the current fiscal year based on whatever releases you have planned?

**Ronnie Screwvala:**

So to answer your first question, If we split up these segments now, we will be splitting them up for life. I would, without being disrespectful, urge you to look at the fact that from this year onwards we are looking at television as one area of business which includes both Broadcasting and TV content. We are consolidating these and we will be reviewing year-on-year figures to this effect moving forward.

**Aditya Mathur:**

Sure, I understand that, but what I am just trying to understand is that we had a pretty high guidance for the TV content business and this is one business where the margins have been named in the 3% or 4% levels, so I was just trying to understand if there has been actually an uptick here as well as what is the kind of run rate that we have really achieved in terms of the EBITDA for the broadcasting business as a turnaround story, so it will help us understand these two businesses a little better.

**Ronnie Screwvala:**

I agree with you and I am saying that what I would do is, I would add the two deltas and see how we have performed on that basis. They have both actually performed which is what we can say fairly categorically, both on the EBITDA side and on the revenue side. They are pretty much absolutely on track. You have seen the number of shows, you are seeing on a quarter-to-quarter basis the new shows that are coming on air, you are seeing the ratings of the channels, you are seeing that the ad breaks in our Hindi movie channel get intolerably long, I think because of the simple reason that we have a lot of advertising on our channels in terms of revenue. So not to dock the question I think if you add the two deltas we are going to meet the targets we have set and we have met those targets for half the year.

**Aditya Mathur:**

Sure, great, what about the interest, Sir?

**Ronnie Screwvala:**

Now I have to come to the interest part. I think the key is that we have been able to actually structure a fair amount of lower cost debt even though the government and the Reserve Bank of India keeps talking about the fact that costs are going higher and I think that is primarily because we have been able to get some overseas debt, because a fair amount of our revenues and income that comes from overseas and can service that debt, and that obviously has had an impact on lowering our overall cost of debt. So we have been able to work overtime to restructure our costs in terms of interest in that context.

**Aditya Mathur:**

What would be your net cost of debt?



**Ronnie Screwvala:**

I think we have estimated that an average of about 5%. So if you are looking at an absolute amount it would be about Rs 50 crores.

**Aditya Mathur:**

That is exactly what I am saying Rs 50 crores interest expense on a base of a net debt of about Rs 1,000 crores. This sounds a little too low, right? Is it that when the games would be released or when let us say a movie is released that has been in that particular quarter the interest cost would suddenly jump up? Is that a correct understanding that you have actually had?

**Ronnie Screwvala:**

I have worked this up in that context. That will be the average, because we have got debt at an even lower rate.

**Amit Banka:**

I think Aditya the other way to look around is the cost of production whether it is games or a movie that includes interest cost. So when we talk about direct costs, these direct costs will include that interest cost which is part of the cost of cost of production.

**Aditya Mathur:**

So you are saying that is already a part of...?

**Ronnie Screwvala:**

Already part of our EBITDA line and as it gets released it is going to get fully expensed in any case. So that is why we said it will be around 5% at the interest level.

**Aditya Mathur:**

Thank you.

**Moderator:**

Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:**

My first question is on the broadcasting side, we launched UTV Action in January 2010 and in the concall initially you had said that it is a market segregator. So wanted to understand that since those eight to nine months are over where do you see that relaunch performing and what do you mean by market segregator?

**Ronnie Screwvala:**

I will turn to my colleague MK Anand for that.

**MK Anand:**

This particular product has been able to do a major turnaround because the brand has looked at action as a hook, as against Hollywood dubbed into Hindi, and we think that that is something that can go beyond just movie content. The first step of establishing it as a significant ad sales vehicle for advertisers has been established. It has got a reasonably good run rate and it has reached a place from which we are looking at taking the brand to the next stage. This will involve some content activities and some brand led marketing activities.



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**Ronnie Screwvala:**

It's fair to gauge who the market breakers are based on whom the competition hates. I think if you look the television everyday in the evenings from now onwards and just look at the titles that are there across all the movie channels, everyone is scheduling action movies. Suddenly everyone has realized that may be action is the only way to go for India.

**Abneesh Roy:**

Sir, regarding UTV Bindass you have been promoting the program The Chair in a major way, how it has met the initial feel? Has it met the expectations?

**MK Anand:**

Yes, it has. Programs on Bindass are basically designed to lead the market in terms of the genre so from that point of view it is very, very cutting edge, it is the first paranormal reality show and it has really been accepted well. And if you see again, to take a point from what Ronnie said, when competition hates you that is a very, very good indicator of how you would have performed. Our competitor MTV has come up with a similar show now on paranormal reality however as far as advertisers and our revenue expectations and our GRP expectations from that show go, we are well on track.

**Ronnie Screwvala:**

Actually if you look at the ratings released just this last Wednesday we were about 1.6 times that of MTV. We could not possibly be getting there if it was not for the program succeeding and unlike a GEC which has six to seven hours of urgent programming we just have one or a maximum two shows per quarter that are new.

**Abneesh Roy:**

Sir, lastly you did mention something about regional movie production, could you give us some more color, you said it is not going to be in the immediate term, but some more color on that?

**Ronnie Screwvala:**

Actually zero color. The only thing I was trying to say is that I did not want to restrict our growth potential. At the outset, in answer to your question, on whether we have a limited circle in way we are doing things, and we said that we could do 12 to 18 movies, or 24 movies, or much larger movies, or be in the regional space, I was just answering in that context. Particularly because the person asking the question quoted another studio as doing triple-digit figures of movies in a year. But at this point we are very focused on the Hindi space.

**Abneesh Roy:**

And this has nothing to do with the good performance of Robot, right?

**Ronnie Screwvala:**

Not at all. Good performance of Rajnikanth, yes.

**Abneesh Roy:**

Okay, Sir. All the best and thanks a lot.

**Moderator:**

Thank you. The next question is from the line of Madhuchanda Dey from Kotak. Please go ahead.

**Madhuchanda Dey:**

Sorry for harping on the same issue on the television side. We need some understanding on the significant deviation in revenue, which has happened quarter-on-quarter or what would you like to attribute that too?



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**Ronnie Screwvala:**

Madam, you mean significant deviation from quarter-to-quarter?

**Madhuchanda Dey:**

No, not deviation, sorry for using the wrong word, significant change in revenue, it is from Rs 24 crores to Rs 81 crores, the broadcasting was separate, so basically what is the breakup of this 81 crores?

**Ronnie Screwvala:**

When you say breakup you mean in do you mean how have we gone from Rs 95 crores to Rs 150 crores for the first half of the year and for the quarter from Rs 50 crores to Rs 81 crores?

**Madhuchanda Dey:**

Yes, I want breakup of these Rs 81 crores?

**Ronnie Screwvala:**

Madam, that would be information that would be available to our competition who would be very keen to know what Bindass bills versus what UTV Action bills, Star Movies will make an entire competitive platform based on that thought process.

**Madhuchanda Dey:**

If you could just give us a broad breakup of the broadcasting and the content and air-time sale?

**Ronnie Screwvala:**

Air-time sale across is a quasi broadcasting model and I would urge you again to look at it in that manner. Please do not make it sound like we are ducking it because we are accountable. As I said if  $A + B$  is equal to  $C$  we are accountable that the  $C$  happens. But I can give you a summary of the thought process.

The growth factors have come from the following; First, all the four channels have matured, the products have worked for us and therefore advertising has grown quarter-on-quarter for us and that has been the significant reason why we are seeing the upward revision and upward growth. Second, in our key content side, more and more news shows have come in, substantially more than what did last year. Thirdly, in our broadcasting activity in the south, which is a quasi broadcasting model on Sun, previously acquired programs have moved to our own produced programs and the margins and the realizations consequently went up because we are in control of our own destiny. So, broadly in our television space these will be the three significant triggers for which you are seeing the kind of growth that is expected this year.

**Madhuchanda Dey:**

And if you could just help me understand rough breakup of your capital employed in games? If you could throw some numbers that would be really helpful?

**Ronnie Screwvala:**

Right. So, if you are looking at our capital employed and gains, I think broadly in the games segment about 5% to 10% would be on Indiagames, about 15% to 20% on True Games and the balance on Ignition, if that would be of any help.

**Madhuchanda Dey:**

I just wanted a little more colour on the Ignition in this breakup?



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**Ronnie Screwvala:**

It is all basically based on inventory. There are no hard assets and in that context it is substantially all the IPs that we have generated.

**Madhuchanda Dey:**

How much capital employed has gone in to broadly the IP, each of the IPs that you are planning to monetize over the next 12 to 18 months?

**Ronnie Screwvala:**

You mean in terms of each game?

**Madhuchanda Dey:**

Yes.

**Ronnie Screwvala:**

The average cost as we mentioned is in the range of \$20-25 million per game.

**Madhuchanda Dey:**

So, you are planning to do a deal for one this year and there are two more in the pipeline?

**Ronnie Screwvala:**

Yes, and we might do some deals on publishing even this year but they will be released in the next fiscal.

**Madhuchanda Dey:**

When you are talking about liquidity event, you had mentioned some time back that there is a probability that you might just hive off these IPs and get a strategic investor, is that the line of thinking now?

**Ronnie Screwvala:**

Yes, it is pretty much concurrent with the line of thinking to find a publisher to take El Shaddai to the market. The best way we can demonstrate any deal-making is to first show a liquidity event on one game because that, will immediately become the benchmark. If I were stating a minimum guarantee already of \$30 million in one game you will therefore extrapolate and say well if that is what we manage to hear, you have got three IP, you have got a publishing business and I re-rate your games console gaming division to XXX and that is what we would do with anybody else outside because when we go out on the enterprise they want to know what is our first benchmark also.

**Madhuchanda Dey:**

Okay. When do you expect to announce to the investors about the possible benchmark that you could establish?

**Ronnie Screwvala:**

As per what we have talked about, the second half of this year is where it all comes together. I would urge you to take that at face value. When we spoke about broadcasting we said we would deliver from this year and we have already done that, we have delivered on movies and we do not see why we will not do that in games.

**Madhuchanda Dey:**

Going forward is there a thinking to invest in new games beyond these three?



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**Ronnie Screwvala:**

In the console space we do not believe so except for the sequels but on MMOG and on mobile and on social we are lot more focused on that.

**Moderator:**

Thank you. The next question is from the line of Kesvinder Suri from Span Capital, please go ahead.

**Kesvinder Suri:**

Could you just reiterate your guidance for the year?

**Ronnie Screwvala:**

To reiterate what I said in July, we are looking at about Rs 1,200 crores plus revenue this year, up from about Rs 600 crores plus last year and we are looking at an EBITDA margin ranging between 18%to 21%.

**Kesvinder Suri:**

You said about 70% of your investment is in Ignition for the three IPs, just globally how has it been, how does the revenue accrue to you once you launch the game, I just wanted to understand that part, if you could just throw some light on that?

**Ronnie Screwvala:**

Sure. Well, the first cycle of revenues will accrue if we get a minimum guarantee in a publishing deal. This will be an upfront inflow. That is what we are hoping for in this first round because we have created the games, we want to get a partner for distribution. It is pretty much what we have did with motion pictures three, four, five years back where we produced but we have been happy to sub-sell the movie just because in the beginning that is what we wanted to do. We did have a hit movie called Rang De Basanti, we thought it was, but it was one of our first movies we were going out, we presold in a few territories here and there and that was the right way to go about it then. That is pretty much what we are doing with games today. So our revenue accruals will come primarily based on the publishing deals that will come in. Although we believe we might leave something on the table for them, at least we are secure of where we are going forward and we will have shown proof of implementation; outside of that there is enough further scope for revenue sharing, and sequels that we would get into if we perform well.

**Kesvinder Suri:**

Okay. Pardon my limited knowledge about the gaming industry but when you say publishing deal, per say it is like say hypothetically speaking say an Electronic Arts agrees to launch your game, is that what it would be?

**Ronnie Screwvala:**

Yes, I will even simplify that further. It is similar to a scenario wherein a producer in the movie industry sells his movie to a studio or to Reliance Big or anyone else for distribution.

**Kesvinder Suri:**

Right. What about Mercury use said that is your own IP, how does that differ from El Shaddai?

**Ronnie Screwvala:**

I think I was saying that, that was a three year old IP and I do not need to have a deal on Mercury as it is my own title. The Mercury IP is identical to El Shaddai as its owned by Ignition but it's a larger game.



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**Moderator:**

Thank you. The next question is from the line Virendra Verma from Global Holding Corporation, please go ahead.

**Virendra Verma:**

Just wanted to see like relating to your Q1 release the way you have given the segments and the Q2 segments; in the Q1 you had five segments and in Q2 you have three segments, can I just understand like what is the rationale behind deviating from the previous...

**Ronnie Screwvala:**

You may have missed my opening comments-what I said was that television for us is now a consolidated business. Actually television content is a business we started off 15 years back. So it is now time that we merge the entire television aspect of our business. If you look at it even within the organization, when we buy time on Sun TV and sell to advertisers is as much broadcasting as selling time on Bindass, so with that momentum we have decided clearly that the best way to communicate to people is the television business. Zee TV tomorrow produces Antakshari in its own studios, it does not call it TV content, it is the ad revenues, so in the same way I would like you to look at our business as we go forward in television that we are quasi-broadcasters, we buy and sell air-time in the south, we produce some programs, and then otherwise we run our channel, that was the communication for consolidating television.

In the interactive space we merged it with games for only one reason. In the Indian space whether we do mobile games, Indiagames, or content, it is generally known that the exploitation is via the platforms of web and mobile, and therefore it is much better understood as one vertical rather than trying to understand a segment that is just 3% of total revenue.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Mihir Shah for closing comments, please go ahead sir.

**Mihir Shah:**

Thanks everyone for being on the call and of course thanks to the management for giving us the opportunity to host the call. Wish you all the very best for the coming quarter.

**Ronnie Screwvala:**

Thank you.

**Moderator:**

Thank you gentlemen of the management, thank you Mr. Shah. Ladies and gentlemen, on behalf of Alchemy Shares & Stockbrokers that concludes the conference call. Thank you for joining us and you may now disconnect your lines.