



Movies • Broadcasting • Television • Interactive

UTV Software Communications Limited

..... INVESTOR CALL – FEBRUARY 01, 2008
..... RESULTS - QTR ENDED DECEMBER 31, 2007

Moderator:

Good morning ladies and gentlemen. Thank you for standing by. This is *Pallavi* the Moderator for your conference call today. Welcome to the post result conference call of *UTV Software Communications Ltd*, hosted by *Prabhudas Lilladher*. We have with us today *Mr. Ronnie Screwvala*, Chief Executive Officer, *UTV*, *Ms. Roma Patel*, Group Chief Financial Officer, *UTV*, *Mr. G Chandrashekhar*, Chief Financial Officer, *UTV*, *Mr. Amit Banka*, Vice President - Business Development and Strategy, *UTV*, *Mr. Apurva Shah*, Head of Research and *Mr. Mihir Shah*, Analyst from *Prabhudas Lilladher*. At this moment all participants are in a listen only mode. Later we will conduct a question and answer session. At that time if you have a question please press * and 1. I would now like to turn the conference over to *Mr. Apurva Shah*. Please go ahead *Mr. Shah*.

Apurva:

Yes. Thank you and welcome everyone to the conference call of *UTV Software* post their third quarter results. First of all I would like to congratulate the management team on an excellent set of numbers once again for this quarter and without taking any further time I would like to hand the call over to *Ronnie* for his opening remarks after which we will open for questions. Over to you sir.

Ronnie:

Thank you very much. Good morning everybody and thank you for joining this call. I think just to summarize, in our last quarter we had said that, in our movement from the B2B to the B2C model, which is directly to the consumer and to look at our 4 verticals, we have been doing a fair amount of work in progress. And that from this quarter onwards, the results will start showing. So, I think we are reasonably pleased with the fact that the results are beginning to show. I think, this year overall as you will see, just based on the 9 months record that we have been able to look at a substantial growth over last year and specifically on the top line which actually means that our business has demonstrated scalability and will continue to do so as we go forward. Our top line growth is not at the cost of bottom line and we have been very focused also on the bottom line and I think the margins in our bottom line have also substantially improved in that context. This year I think out of our 4 activities which we summarized as motion pictures, interactive and gaming, television content and broadcasting, as is evident the growth is led primarily by movies and interactive and gaming. And as the other 2 businesses gain more traction next year, at least I would say that in the year we will also look at all the 4 verticals with substantial contribution.

Just to go through each of the 4 segments. I think in our television content business, the fact remains, as I admittedly said in the last quarter, that there is a challenge in the scalability of our television content business. So that is getting corrected as can be seen here. And our air time sales model, which completes our television content business, has been substantially robust and pretty much has a leadership position for the group in a substantial manner. So that completes the picture in a good sense in our television business which we will see over all this year having about 20-25% growth on the top line by the end of the year.

Motion pictures are really where fair amount of the action has been taking place. Obviously that action is not possible and growth is not possible if it wasn't for the seeds that were laid last year because as we all know that the lead time for a motion picture division to grow is between 12-18 months. So 2 points there really. One is that, the seeds that we have laid last year have resulted in the growth that you have seen this year and we still have the fourth quarter which is also going to be a strong quarter. Because, I believe in the fourth quarter amongst anyone and everyone in the motion picture business, we will have the largest movie releases. One with *Jodha Akbar* and second with the movie called *Race* for which, many of you all must have seen the promotions on the air. But outside of that I think the other thing I would like to add is that in this particular year we have laid the seeds for even more investments as far as movies is concerned and therefore, you might see a substantial jump in our capital employed movies and that really reflects us preparing ourselves for '08-'09 to really look at a strong and almost leadership position for 08-09. So, I think in movies its not just how you look at this year, which has definitely been a good track record but, also next year where we are looking at increasing further than our growth of this year that we have been able to show from a base of about 75 crores in movies, to a substantial increase there by the end of this financial year. I would say it will be almost 2.5 times of last year. But again not to harp on the point that next year we expect substantial growth there only because we can see the visibility in the investment that we have made here and that reflects in our capital employed. We also have the single largest English language world wide release coming out of India which is the *M. Night Shyamalan* movie, *The Happening* which is now fixed and confirmed for a world wide release on June 13, 2008 which I think will be released with about 8000-9000 prints world wide. We are co producing the movie with *Twentieth Century Fox*.

Moving onto interactive and gaming, we have really been happy with our 2 acquisitions. The bulk of the figures which you see here, I say almost 90% of that comes from UK acquisition of *Ignition* because as our notes to accounts state, the *Indiagames* acquisition in our books came only in December this year, so what we see from that will be traction in this coming quarter and the quarter thereafter. And in *Ignition*, primarily in our gaming we have looked at one, the

publishing, re-versioning and global marketing of our products and the second has been our production of original content. So all the top line and bottom line that you will see, not just in this quarter, but substantially in the next quarter too, will be only publishing business and our original content production part, like the movies business which is of 1.5-2 years gestation. So you will see parts of that in 2009 and then skyrocketing in 2010.

All this clearly would not have been possible if we would not achieve scalability in what we wanted to necessarily do and I think that has really come about because of the core team that we have been able to put in place and that's work in progress since about May of this year and I think both on the operations side, creative side, marketing side at the core management and the chief executive level of each vertical side to the finance side to group strategy and business development. In all that I think a fair amount of foundations have been laid for us to look at the growth projections that we are looking over the next 2 years. And I think that is definitely part of the entire process.

In Broadcasting we have just launched the two huge channels *Bindass* and *Bindass Movies*. *Bindass* for its segment has done substantially well and we create more traction as we go forward in a reasonably competitive environment. People had concerns of whether we are distinctly visible on day1. We have demonstrated that with both the channels. This quarter we will see the launch of 3 more channels. In fact in the next 10 days it will be *World Movies* in the same month, by the end of February with our Hindi movies channel and then our English Business News channel in March. So I think that's the segment of what we want to do there.

To preempt any questions because, there has been a fair amount of market speculation about our strategic investments/financial investments in the entire organization, whether it be at the parent level or at the broadco level, I think at this point in time without going into more details because I will not be able to really do that, it would suffice to say that we would have some clear positive news to give you in the very, very near future as far as that is concerned. We have placed before the board certain options and we will see how that unfolds over the recent period.

Just to go forward in our fourth quarter we are looking forward to the same amount of growth as far as our television business is concerned. In our broadcasting we are launching 3 channels. In our motion picture business I think we'll see a decent enough quarter like the third quarter primarily because of *Jodha Akbar* and *Race*. The interactive part we see a fair amount of almost 6 or 7 games that we will re-version and publish and release in different continents, some of them for Europe and some of them for the USA. So we see interactive next quarter completing its story for the year of a good growth leader based on our M&As. So I will now throw this open for questions.

- Moderator:** Thank you sir. Our first question comes from *Mr. Dipen Mehta* of *Dipen Mehta Shares & Stock Broking*. Please proceed sir.
- Dipen:** Congratulations to the entire management team at *UTV* for very impressive results. I will just ask 2-3 questions and come back with some more questions. I just wanted to understand that we are still on the look out for strategic/financial investor for the broadcasting business. Am I right?
- Ronnie:** That is correct.
- Dipen:** Ok and you just mentioned that to avoid speculation you would be announcing something in the near future although you are not giving us some set time line.
- Ronnie:** No I can't really do that at this point obviously for various reasons but I think it's been in our interest to see to it that given our growth story, we should have the right partner to take us to the next level. The right investor, the right overall approach. So I think that's something that we have, that's why we have taken a little bit more time than we would.
- Dipen:** So that will be the money coming into the broadcasting subsidiary. But in the parent *UTV Software Communications* are we expecting any further equity dilution?
- Ronnie:** May I just defer that too, because to be honest I can't really go into any more details at this point.
- Dipen:** Ok fine. This 84 crores revenue from films, can you give us the break up of which films contributed these 84 crores?
- Ronnie:** Ya, well I could, but broadly it will be *Goal*, a Telugu film called *Atidhi*, a Tamil film for the first time called *Kennamoochi Yennada* and the fourth one was *Welcome*. So *Welcome*, *Goal*, *Atidhi* and a Tamil movie.
- Dipen:** If you could give the numbers *Ronnie*, it would really help us understand your business better and also make some sort of an estimate of releases going forward. How they could kind of pan out financially.
- Ronnie:** Ya. Somebody is going to work on that. Why don't you go ahead with your other questions.
- Dipen:** No. I have others but I will come back later on. Thank you.
- Ronnie:** Ya. I will get back to you on these numbers when you come back later.
- Dipen:** Thank you.
- Moderator:** Thank you *Mr. Mehta*. Our next question comes from *Mr. Sachin Waikar* of *Wealth Managers*. Please proceed sir.
- Sachin:** Sir, this is more with respect to your guidance. If I have understood correctly from your presentations and all, we are

saying interactive for FY09 somewhere close to Rs 248 crores. Am I right?

Ronnie: '09 yes. But you are not talking about the end of this year. You are talking about the next year right?

Sachin: Ya. I am talking of the guidance for FY09 only which you had given.

Ronnie: Ya that's what we are looking at in terms of our growth clearly.

Sachin: And how would the break up of animation and gaming be in that respect?

Ronnie: It could be substantially gaming.

Sachin: Substantially gaming.

Ronnie: That's right.

Sachin: In the current we can continue to assume that around 75-80%?

Ronnie: Ya it could be even higher because of the simple reason that in the animation field outside of, a little bit of out sourcing we are basically started production of 3 animation movies of our own. So they will be looked at in terms of revenue growth as soon as those movies are ready.

Company Clarification: In respect to the above few exchanges pertaining to the revenue guidance of the interactive segment, the Company wishes to clarify that it has not given any specific guidance for the interactive segment for FY-09 as was claimed. While the Company is looking at healthy growth from this segment, it is too early to give a specific guidance on the revenues for 2009.

Sachin: So that will be in FY10 that means?

Ronnie: The movies coming out of animation will all reflect in FY10. maybe one of them may reflect in FY09 but by and large they will reflect in FY10.

Sachin: Ok and sir can you give the break up for the current quarter and 9 months animation and gaming?

Ronnie: I think broadly we have that here, just a second, animation will be 20% and interactive and gaming will be about 80%.

Sachin: Ok and sir this TV broadcasting we were saying close to Rs 160 crores for FY09. Do you think after launch of *Bindass* and *Bindass Movies*, we will be on track to achieve that?

Ronnie: It's a combination of a lot of things including pay revenues from that point of view. It's a little difficult for me to comment and give you a categorical assurance as far as that is concerned.

Company Clarification:	In respect to the above exchange pertaining to the revenue guidance of the broadcasting segment, the Company wishes to clarify that it has not given any specific guidance for the broadcasting segment for FY-09 as was claimed.
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Sachin: Ok and sir lastly on your FY08, you had guided in the last quarter that movies would be close to around Rs 225 crores and we are currently at Rs 135 crores. So you think that *Jodha Akbar* and *Race* would match up the Rs 90 crores difference which we are looking for in one quarter?

Ronnie: Broadly it would yes.

Sachin: Ok and just wanted to understand the structure of your movie business because your stand alone figures show a loss whereas subsidiary shows a substantial profit.

Ronnie: Well as you know that the entire movie business is in a subsidiary. So the parent company stand alone does not do any motion pictures since we listed the motion picture company on the AIM exchange.

Sachin: Ya but the revenue, out of Rs 135 crores, Rs 75 crores still stand in the stand alone result.

Ronnie: But that would come out of television content and the other businesses in that. Except for the first quarter which was because the motion picture business was transferred to the subsidiary. But certainly on the stand alone you won't see much of movies going forward.

Company Clarification:	In respect to the above exchange, the Company wishes to clarify that the stand alone entity does distribute and would continue to do the distribution of movies.
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Sachin: Ok and sir interactive this quarter we have a loss. Can you just highlight the reasons for that?

Ronnie: Ya I think, in the Christmas season for example which is October, November, December because we are looking at titles that are not as huge as the ones that some of our major competitors like *Electronic Arts* and all release, we normally stay cool during October, November, December season because otherwise your marketing costs would be very high, and you need to have the same noise level that the big majors have. Therefore it was an over all plan itself and even in our over all planning we had the fourth quarter where the ticker would come in for gains because that's the season where we would likely come in after all the hoopla of Christmas.

Sachin: Ok. So I will come on a later question. Thank you.

Ronnie: Certainly. Thank you.

- Moderator:** Thank you *Mr. Waikar*. Our next question comes from *Mr. Ritesh* of *Dolat Capital*. Please proceed sir.
- Ritesh:** Good morning sir. Our 14 movies pipeline and the capital employed is Rs 376 crore. Is it for these 14 movies?
- Ronnie:** No I think as far as capital employed goes, you need to understand when we sign up directors, we sign up movies, sometimes the production goes in '09-'10. We are making a lot of long term commitments. It also includes our Hollywood movies.
- Ritesh:** Ok so how much more to be invested for this 14 movies pipeline?
- Ronnie:** We are looking at. There are 2 things that you need to look at as far as the business is concerned before I give you any categorical answer which is not that easy to do. One is we are going to ramp up more. So while we might do this year 2.5-3 times the last year, our goal is to really even take that forward to be an absolute dominant leader or leadership player in the movie business. Because I think we have understood that model well. So we would be ramping that up. And we are the only movies company out of, I would say South East Asia and South Asia, looking at the English language investment. So I think you need to take into account our investments into *The Namesake*, *I think I Love My Wife* and now the *M Night Shyamalan* movie.
- Ritesh:** Sir my question was how would we now finance because I guess the AIM money has been totally utilized. So now how do we finance the remaining portion of the films?
- Ronnie:** Today we have about 12 million in the balance sheet as far as the AIM money is concerned. But, there is a fair amount of slate this year where we start getting liquidation. So we have got big releases this year. Liquidity event has come from *Welcome* and some of our other ones. We will see a cycle of liquidity also as we go forward.
- Ritesh:** Ok and what would be the unamortized portion of already released movies so far?
- Ronnie:** I don't have an immediate break up on that. But basically we have an accounting policy and then we accelerate the amortization. So I think we are pretty much more conservative than market standards, I can search around and get you that figure.
- Ritesh:** Ok no problem and last on a little lighter note, we are releasing *The Happening* on Friday the 13th?
- Ronnie:** Ya that's pretty much right. In fact the idea came from us because *M Night Shyamalan* is known for his sci-fi horror movies. So it's a sci-fi horror movie, that's why Friday the 13th.

- Ritesh:** Ok I guess both goes together then.
- Ronnie:** Exactly.
- Ritesh:** Thank you sir.
- Moderator:** Thank you *Mr. Ritesh*. Our next question comes from *Mr. Saurabh Gurnurkar* from *Kotak*. Please go ahead sir.
- Saurabh:** Good morning to the management and congrats on the good set of numbers. Of your capital employed of Rs 376 crores in the movie business could you just enumerate how much could be for your new projects which is I think, *The Happening*?
- Ronnie:** It would be round about 60 crores total between the movies.
- Saurabh:** 60 crores and how much would *The Happening* be in specific, the *Shyamalan* movie?
- Ronnie:** We haven't fully funded it. Our terms with *Fox* are to give the final amount only on delivery and when the product is ready. Out of that 60, I think *Happening* would be 25.
- Saurabh:** And this a 50% share or what's the proportion?
- Ronnie:** Our proportion with *Fox* is 50-50.
- Saurabh:** 50-50 and just some light on the strategy in the animation business you have mentioned about creating an IP led approach. What are your investments towards that and what exactly is your strategy for that?
- Ronnie:** Well the strategy is, we generally believe that in the outsourcing business India is not got a clear cut stand point view. On 2D nobody has made money in this country in the last 5 years. And in 3D if you want to start up and set up the facility, in television content in doing outsourcing business, there are about 400 players now in the set up. It's not worth the competitive environment. We believe again there that we need to move from the B2B to the B2C model and so in animation rather than getting into scaling up and outsourcing which only means much more training and investment, we have looked at 3 movies at this point in time. So given the fact that our movies division understands that entire concept we can actually create IPR in animation division. So the outlay on the 3 movies approximately will be around 75 crores between the 3 movies.
- Saurabh:** Ok and just one thing on your tax rate. Your tax rate outgo for the year has been quite low. The reasons for it and what you are guiding for in the next couple of years?
- Ronnie:** I think the efficiency is primarily because, for example, when we are looking at our interactive business, when we bought *Ignition* they had carried forward losses in their own geography in the UK etc. The effective rate for them comes down. The movies part of our business is substantially now

international. So if you look at our structuring in terms of that I think there is a fair amount that goes into that. And third is basically amortization policy for tax purposes. So if you look at a combination of these 3, I think that's the reason for the efficiency in the tax.

Saurabh:

And what are you guiding for going forward? I mean would you be paying MAT rate atleast in India or is it going to be lower than that also?

Ronnie:

It could be in 11-14%.

Saurabh:

11-14%. Ok. Thanks so much. I have a couple of questions. I will come back.

Moderator:

Thank you sir. Our next question comes from *Dipen Mehta* from *Dipen Mehta Shares & Stock Broking*. Please proceed sir.

Dipen:

Sir just some more follow up questions. I just want to understand why the tax rate for the movie production business should be at 11-14% sir?

Ronnie:

Because there is a fair amount of international business that we do. We are structured overseas completely. We are governed by different geographies in different countries so that's why the efficiency comes there.

Dipen:

Ok and just to refresh my memory, the *Isle of Man* company that is listed, what is the *UTV* stake in that company? 75%?

Ronnie:

77%.

Dipen:

Ok 77%. Therefore the Rs 5.3 crores minority interest which is shown in the consolidated would be largely on account of the 23% held by outsiders?

Ronnie:

Yes and in the *Ignition* part where we have 70% and 30% is held by outsiders.

Dipen:

But *Ignition* is small in terms of contribution.

Ronnie:

It is small but by the end of the year it will be decent. So I think overall ya, but I am just marking right now the erosion would be basically the 23% in movies and the 30% in *Ignition*.

Dipen:

Ok sir, in the last con call you had given us a net profit and revenue guidance for FY08 which was a large margin, 50-70 crores I recollect for FY08. I mean are you looking at fine tuning that kind of guidance for FY08 now that only 3 months are left?

Ronnie:

Well I mean if you are looking at the 9 months, we are at about out 49-50 crores in that context so in what way would you like me to answer that?

- Dipen:** I thought that this was at the net after minority interest the 50-70 crores. Is it before minority interest?
- Ronnie:** No before.
- Dipen:** Ok this is before minority interest. Ok also I was just looking at the movie releases which you have planned in 2008 sir and on the face of it, apart from *Jodha Akbar*, which has got one or two really high profile superstars, the others do not have that kind of profile in terms of actors. So I mean because typically large budget films will attract the most popular actors and after *Race* and *Jodha Akbar*, production looks pretty light in that sense. So, I just wanted your comments on that.
- Ronnie:** Well A, *Jodha Akbar* has got *Hrithik* and *Aishwarya* and *Race* we have got a pretty good star cast from *Saif* to *Anil Kapoor*. So you look at that canvas there, its high cast. Then we have got *Kismat Konnection* which is *Shahid* and *Vidya Balan* which is again good because out of the top 5 movies this year, infact *Shahid* with *Vivah* and *Jab We Met* has pretty much come into the upper part of the second level of actors. We have got *Abhishek Bachchan* and *Soha* for *Rakesh Mehra's Dilli 6*. We have with us *Amitabh* in *The Shoebite* and they we have a full cast support with them. We have got *Priyanka Chopra* and *Kangana Ranaut* in *Fashion* with *Madhur Bhandarkar*. So I can go on with the list as far as that is concerned. So actually it's a very strong cast.
- Dipen:** So you are happy with the star cast and because typically if you have a high profile star cast its a bit of a guarantee that the movie will eventually be a success?
- Ronnie:** No I would say not at all. And the 2007 box office will go to support that.
- Dipen:** Ok so if I could have the numbers which I asked earlier for the break up of the movies?
- Ronnie:** Ya I mean broadly in that 84, broadly *Welcome* would be 54, *Atithi* would be 15, *Goal* would be about 10 and the others would be about 4. Now each of these have different realizations in a different quarter.
- Dipen:** So for *Welcome* we were the distributors is it or?
- Ronnie:** We picked up. Ya we were the world wide distributors.
- Dipen:** Now this list which is there of 14 could undergo quick changes because you could end up with distribution deals as well.
- Ronnie:** Absolutely correct.
- Dipen:** Ok thank you. Some more questions come back later on. Thank you.
- Moderator:** Thank you *Mr. Mehta*. Next in queue we have *Mr. Sachin Waikar* from *Wealth Managers*. Please go ahead sir.

- Sachin:** Sir this is a follow up question. At what cost were the international distribution rights of *Taare Zameen Par* acquired? And in how many months after release the revenue started flowing?
- Ronnie:** The revenues flow up within 3-6 months because we basically had theatrical in the first 3 months and then you have home video over the next 3 months and then the world wide television outsourcing goes on for the next 1, 2, 3 years. This is a reasonably competent environment. I don't think we can break it up for confidentiality reasons with the way we work with the producers. So we are not completely happy to break it up. With *Aamir Khan* we have a long term deal. Out side of *Taare Zameen*, the next movie that he is also doing plus 2 more productions. So to have a clear break up right now would have a problem with our confidentiality given to them.
- Sachin:** Ok and what about the rights for Home video?
- Ronnie:** For which movie?
- Sachin:** For the same movie *Taare Zameen Par*.
- Ronnie:** Ya all rights we have internationally. Not just home video, IPTV, terrestrial, cable, VOD, pay-per-view, everything.
- Sachin:** Ok. My next question is what is the role of *UTV* in the tie up with *Virgin* and who will do the distribution for the various modes like for digital, TV, movie and games?
- Ronnie:** Ya. As far as *Virgin* is concerned the concept is being co developed between us and them. It is being executed in terms of the creative art at their facility in Bangalore. After that we will sit on the table and figure out the various applications. No. 1, television, for which we are consumers and producers. Movies, which we definitely will want to not just in India but worldwide. Gaming, through *Indiagames* and *Ignition* and whether we go the CGI way or the animation way is the call we will take depending on the each of the creative outputs of the 4 *Virgin* titles that we are looking at.
- Sachin:** Ok is this expected in the projections?
- Ronnie:** It is overall in a sense, because it will come into that. I don't think it's as specific as far as our overall content, it will just be one more creative idea that will pop into our content.
- Sachin:** Ok. My next question is for how many JVs are we looking at with *Smriti Irani* and *Shekhar Suman*?
- Ronnie:** We are happy with these 2. We would like to see that going to 4.
- Sachin:** Ok. My other question is currently number of hours expected to increase in your content business, in commission as well as the airtime.

- Ronnie:** Air time actually we have grown by about 15-20%. So that's a good growth and actually we have got the best slot. So the idea is not really to take on more slots but much more profitable slots. In television content I think our growth will come from the JVs because now they will really kick in now. In the coming quarters is when we will start getting in quick from there.
- Mayur:** And sir this is *Sachin's* colleague *Mayur* here. Do we have carry forward losses on *Ignition*?
- Ronnie:** Yes.
- Mayur:** And till how long do we expect this benefit to go on?
- Ronnie:** It will depend upon the profitability of the company.
- Mayur:** Ya but I was trying to understand your estimate.
- Ronnie:** Into the next accounting year atleast.
- Mayur:** Next accounting year?
- Ronnie:** Into the next financial year atleast.
- Mayur:** Sir on a company level what tax are we expecting for the next year sir? Can you give a broad guideline?
- Ronnie:** I don't think so because it would really depend on how our growth factors come in and I think I have sort of answered that question previously on some of our basic expectations on that.
- Sachin:** Ok and any expansion on the funding for *Ignition* or *Indiagames*?
- Ronnie:** Sorry you mean expansion or funding? Which one?
- Sachin:** Are we looking at any more money infusion into either of these companies?
- Ronnie:** Gaming is something that is going to be a pretty attractive business for us and we have demonstrated that with results this year. So yes we will be open to further investments on those based on how that and how the core team there wants to present that.
- Sachin:** Last question on animation. Just to understand after the discontinuation of the outsourcing model, now is animation basically a captive resource for gaming or movies
- Ronnie:** That is correct. Captive IPR creation.
- Sachin:** Actually we will have no revenue flow actually going forward in terms of external revenues?

- Ronnie:** Will not be for one year and then will kick in completely. But in year 2010 you are not going to see any difference because it is all clubbed with our interactive and gaming. So it gives us a fair amount of period to catch up as far as that is concerned. But because we are creating IPR there is a one year investment mode.
- Sachin:** Ok so interactive what we are saying over the next 2 years will be only gaming and no animation as is currently now?
- Ronnie:** Not in the next financial year but year after that you will see animation.
- Sachin:** And that will be on account of what sir?
- Ronnie:** The 3 movies.
- Sachin:** Ok that will not be. Ok, ok. And sir what is the structure between *UTV AIM* and the animation division of *UTV India*. The movies will get released and will be in the books of *UTV India* right?
- Ronnie:** At this point in time they are being developed in that context as to where will it be from, whereas the movies part of it will be handled by *UTV AIM*. That is correct and the execution by the animation division.
- Sachin:** So what will be the revenue break up which we are looking at?
- Ronnie:** Well in a sense animation will have the entire budget for the outsourcing in that context. But in the group we are creating the IPR.
- Sachin:** Ok. And sir any developments, can you throw more light on *Liberty Media Corporation JV*?
- Ronnie:** We read about that in the *Economic Times*. Maybe you might want to throw some more light on that.
- Sachin:** Ok so there is no, from your side you are not, anything looking for that?
- Ronnie:** We read about it in the *Economic Times*. Maybe somebody else will want to throw more light on that.
- Sachin:** Ok thank you sir.
- Moderator:** Thank you *Mr. Waikar*. Our next question comes from *Mr. Balaji* from *Sundaram BNP Paribas*. Please proceed sir.
- Balaji:** Good morning *Mr. Ronnie*. Sir you just gave a very broad break up of the films business of 84 crores. I have a small question. A film would have a lot of rights in terms of SMS, ring tones and so many other rights, isn't it?
- Ronnie:** Ya that's correct.

- Balaji:** So if these 84 crores encompass only these 4 movies then what about the money that you would have earned from say *Rang De Basanti* ring tone or something. How come that is not being reflected in this?
- Ronnie:** When I said others, you would have incremental revenue that will come in on each quarter. I haven't broken it up to the last 1 crore and 50 lacs. You will see incremental revenue coming when we syndicate say, a *Swades* when it comes up for re exploitation. Those are all coming to on a regular basis in each quarter. That's your annuity business that will come on a year to year basis.
- Balaji:** So that number is not significant is it?
- Ronnie:** In a quarter if you are looking at a 100 crores basis you may consider it as insignificant but it is coming straight to the bottom line. So we will consider it to be very significant.
- Balaji:** Ok and also these 4 movies, have you already sold the rights to the TV or channels?
- Ronnie:** Which 4?
- Balaji:** This *Welcome* and all.
- Ronnie:** Yes, yes.
- Balaji:** Ok so these will start contributing from next quarter in terms of annuity.
- Ronnie:** Yes and the television sale model now is also altered. It's not like we are selling it outright for 6 years and 9 years and 10 years. And we are looking at the syndication model where we sell it to multiple channels also, going forward.
- Balaji:** So roughly would it be fair to say that in the films business the annuity part of it would be about say 10-15 crores in a year?
- Ronnie:** I think that would be fair.
- Balaji:** Which goes straight to the bottom line?
- Ronnie:** I think that would be fair to give in the fact that we are ramping up our library and basically we need sufficient libraries to do that and as the library grows that will get even more robust.
- Balaji:** Ok many thanks.
- Moderator:** Thank you *Mr. Balaji*. We have our next participant *Ms. Tanu* from *Quantum*. Please go ahead ma'am.
- Tanu:** Hi. Just one question from my end. Can you share with us the initial GRPs on the broadcasting side? How is *Bindass* doing

vis-à-vis the new players like *9X* and *NDTV Good Times* probably?

Ronnie: Well *NDTV* just launched this week so we don't have the ratings out on that.

Tanu: Not for *Imagine* but *Good Times* has been on air for quite some time.

Ronnie: No, *Good Times* has got zero, I would say not anything significant. It is an absolute lifestyle English language channel. So I would say it has pretty much got nothing on the benchmark of that. In the segment of *Bindass*, our GRPs are 22 GRPs at this point. Just to put that into context *MTV* overall after being 10 years in the country is 14 GRP. So essentially *Bindass* in a space of *Zoom* and *MTV* and all the other youth iconic brands we have pretty much been in the first 4 weeks. *Bindass Movies* which is really the Hollywood movies dubbed into Hindi, taking all the movies, English movie channels and all the English entertainment channels completely from week one, it has been a good stickiness because people are now getting to see some of the best movies that they were seeing in English language now in Hindi and that is sort of widening the base as far as that goes. And the connectivity on both is definitely encouraging for us as we go forward.

Tanu: Ok. *9X* would be 40 plus?

Ronnie: *9X* actually about 35 it is now not 40 plus actually it is 39-40. So if you look at the fact that I think that the *Bindass* cost and burn both from publicity and programming would be 1/5th of other channels and we have pretty much half its GRPs.

Tanu: Ok why I am asking this is because how the top channels have disproportionate share of the revenues. So everybody else pretty much, you know fights for the 20-30% of the share of the advertising revenue.

Ronnie: Actually that is getting substantially fragmented as we go forward. So you have got specific clients that are looking at different brands. So our Hindi movies will be a lot broader like a general entertainment channel. But on *Bindass* we are getting a lot more specific. Obviously our English business news segment will be different and specific. In fact we experimented with the sales for all our 5 channels and then quickly went into specific channel break ups because we realized that we were really talking to different clientele levels and that works very efficiently for us going forward.

Tanu: Ok so you are happy with the way you are doing it, right?

Ronnie: It's a competitive environment, the dynamics are changing. Lots of surprises. We are dealing with those surprises. So I would say, we are never content but I think we are pleased with the progress that we have done.

Tanu: Ok. Thanks. Thanks so much. I'm done.

- Moderator:** Thank you for your question ma'am. Our next question comes from *Mr. Saurabh* from *Kotak*.
- Saurabh:** Just a couple of follow up questions. First is the debt level placed on the book, debt and cash levels?
- Ronnie:** About 200 crores.
- Saurabh:** 200 crores in debt is it?
- Ronnie:** Yes.
- Saurabh:** Ok and cash would be how much?
- Ronnie:** 50 crores.
- Saurabh:** 50 crores. Ok and just wanted to find out about the international movies. We had 2 I think, *I think I Love My Wife* and the second one was *Namesake*. When do revenues from this actually start coming?
- Ronnie:** In this year. '08-'09.
- Saurabh:** In FY09?
- Ronnie:** Yes.
- Saurabh:** Oh. Is this normally how the business works?
- Ronnie:** Hollywood movies yes because basically what happens is that your theatrical release just goes to recovering your basic print and publicity on creating the brand worldwide. And the bulk of your revenues then come from home video and television. For Indian movies, theatrical is around 60-70% including domestic and international. Whereas, in Hollywood, it is around 30% theatrical, 40% home video and 30% television.
- Saurabh:** Alright and just on FY09 any sort of growth rate which you can guide for at this point in time?
- Ronnie:** I would not really like to volunteer on that but as I said this year movies and interactive have been the contributors for our substantial growth. This year we see gaming and movies go up further. But television and broadcasting contributing, obviously to the top line but not obviously to the bottom line.
- Saurabh:** Ok, ok. Right. Thanks.
- Moderator:** Thank you *Mr. Saurabh*. We have our next participant *Mr. Sanjay Kaul* from *FE Securities*. *Mr. Kaul*, please proceed sir.
- Sanjay:** Good morning everybody. Why did the board meeting happen on the last day late afternoon. Any particular reason? 31st January 4 o' clock in the afternoon.

- Ronnie:** We have one or two international people on our board. So that's primarily the reason for that. There is no specific reason for that. We normally have it around the 25th or 26th.
- Sanjay:** Correct. Thanks.
- Moderator:** Thank you *Mr. Kaul*. Our next question comes from *Mr. Sachin Waikar of Wealth Managers*. Please proceed *Mr. Waikar*.
- Sachin:** Sorry for being always the follow up question. It seems we are among the few participants here that are taking that liberty. I would also like to congratulate the way the communications are flowing from the company. Thank you very much for the transparency which we are seeing sir.
- Ronnie:** Thank you. We appreciate that comment.
- Sachin:** Now on the question part. Sir you said you would like to reserve your comments for the future for the funding options and other things. But we were earlier saying we would launch 7 channels by April and now we are saying we are or we will be doing 5.
- Ronnie:** That is correct.
- Sachin:** 2 on track and 2 already launched. So is there a disconnect which I am trying to reconcile?
- Ronnie:** No I think we are looking at the 2 others at a later stage. We have reviewed the environment. There is a fair amount happening. Carriage fees are going up. So I think given our priority of what we want to do, the other 2 which are much more specialty channels, its prudent for us to digest these and use the clout that we will create from these 5 channels to then go and use it as a high promotion vehicle. So for various reasons, as I said, moving in a dynamic environment and with the best judgment in mind we have looked at it.
- Sachin:** And it is in the English business news channel you said right? One of them.
- Ronnie:** Correct.
- Sachin:** Then in the space which is already crowded or rather dominated by a few, how do you expect to cope with it, in a sense, what is the strategy for differentiating the content or how will it be different?
- Ronnie:** Ya sure. I think you used the right words, stopped and then used the absolutely correct word. You stopped by saying crowded and then you used dominant and that really defines the space. It is not crowded. It has one dominant player. And if you look at the industry today its pretty much surviving where there are pretty good players and the English business news segment is the only place where you have only one dominant player. I think the line up that we have on our editorial team with the front of people and many others, with

Govindraj Ethiraj, who was with CNBC, heading the editorial team plus a whole host of people whom I can't mention for confidential reasons, will assure you that this segment is the only segment in fact that is not crowded. In the English business news segment, I think with the credibility we will have at that stage and the editorial content, front of face cameras that we have got from competitive channels, I believe everyone will be pleasantly surprised over a 6 month period.

Sachin: Ok and sir how do you see the break even of the broadcasting happening at the net level?

Ronnie: As we have maintained it, it is a three year EBITDA break even plan and that we will move towards keeping that in mind only.

Sachin: Ok. Fine Sir. Thank You.

Moderator: Thank you *Mr. Waikar*. Our next question comes from *Mr. Pankaj* from *ICICI Direct*. Please proceed sir.

Ankit: This is *Ankit* here. Sir I am sorry I joined the con call late. Just wanted to know on developments of *Wardevil* and when are we expecting the launch of the game?

Ronnie: It is in 09-10. So, financially after the next financial year. And the developments are pretty much on track. Exactly in terms of what we said in terms of development.

Ankit: Ok. Thank you sir.

Moderator: Thank you *Mr. Ankit*. We have our next participant *Mr. Jatin* from *Anew Capital*. Please proceed sir.

Jatin: Congratulations on getting good results this quarter. If I am not mistaken you have just said that break even point for broadcasting business will be in around 3 years.

Ronnie: Correct.

Jatin: So I just want to know that for this quarter for 3Q08, what would be the impact of broadcasting business on the net margin itself?

Ronnie: At this point in time we haven't got onto the consolidating mode and the consolidating mode will happen simultaneously with the overall investments that we are looking at and I think that we had articulated this last quarter as well, so you will see that in the next year.

Jatin: Ok so consolidation would start from next year onwards?

Ronnie: That is correct.

Jatin: Ok and one more question, are you planning to get funds of around 100 million from ADR or GDR issue?

- Ronnie:** As I said without committing more, we have been in active discussions with financial people and with strategic people and having the option of going out and doing our own FCCBs and/or ADR, GDR. So I think if you are reading what you are reading in the press it is primarily because in preparation for any of these options we have to keep all the regulatory approvals in place. So we have got regulatory approvals sanctioned and that does not necessarily mean that, that would be the way we go. And I think, give us some more time and we shall be able to share with you the final details on that.
- Jatin:** Ok but that money would definitely be for broadcasting business?
- Ronnie:** Whichever can be raised obviously a fair amount of that will go into broadcasting. Yes.
- Jatin:** Ya. Thank you sir.
- Moderator:** Thank you *Mr. Jatin*. Ladies and gentlemen if you have any questions please press * and 1. Our next question comes from *Ms. Solanki of Pinc Research*. Please go ahead.
- Sapna:** Hi sir this is *Sapna* here. Just wanted to ask, are you going to be distributing *Jodha Akbar* in India as well?
- Ronnie:** Ya, we are very proud of the movie and yes we will be distributing the movie in India, worldwide and everywhere else.
- Sapna:** Ok. Thanks a lot. That's all from my side.
- Moderator:** Thank you ma'am.
- Amit:** Can we have one last question please?
- Moderator:** Certainly. Our last question comes from *Mr. Meeshal Mehta* from *Pliris Capital*. Please proceed.
- Meeshal:** Hi sir good morning and congratulations on a great set of numbers. I just want to understand the VFX business that we sold to *Prime Focus*. The sale has been completed, right?
- Ronnie:** That's correct.
- Meeshal:** And that money will come in the last quarter or the December quarter?
- Ronnie:** A part of it. There was some differed sale in concept which will come in but basically it's a consummated transaction.
- Meeshal:** Ok and will you now give us any figures on that sale or is it still too early?

- Ronnie:** No I think we mentioned that in our extension on our notes to accounts. We basically sold it at 12 crores. It's pretty much articulated even in our last quarterly report.
- Meeshal:** Oh I am sorry I must have missed that. Then, this 12 crores is complete sale and part of this would be differed?
- Ronnie:** Ya, only from a cash flow point of view. But yes.
- Meeshal:** Ok and sir just if you could throw some light on your operating margins on the quarter?
- Ronnie:** I think operating margins we are quite happy with. You need to understand that the third quarter is a good reflection of what we think would be our operating margins. Obviously the gaming ones you would see in the fourth quarter. We are overall happy and pleased. Overall you need to understand that we are also a company that is forward in the investment mode. So, in most of our businesses we are also working on inventory for the next year. If we see companies today that just looked at their existing, plain vanilla business of that year and were not in investment mode, obviously will enjoy much higher margin that you would look at. Then we would not have high growth segments.
- Meeshal:** I understood that sir. I just wanted to get your view as far as you are concerned, the way you look at it, you are happy with it the way things are going right now on the margins front.
- Ronnie:** Correct.
- Meeshal:** Great. Thank you sir.
- Moderator:** Thank you Mr. Mehta. As there are no more questions I would now like to hand over the conference to *Mr. Apurva Shah*. Please go ahead sir.
- Mihir:** Hi this is *Mihir*. Thank you everyone for participating on the conference call and thanks to the management for giving us the opportunity to host the call. I wish you all the very best for the coming quarters.
- Ronnie:** Thank you.

Note: This document has been edited to improve readability