INVESTOR EARNINGS CALL – JANUARY 27, 2011

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Moderator

Ladies and gentlemen good afternoon and welcome to the Q3FY11 Earnings conference call of UTV Software Communications Limited hosted by Alchemy Share & Stock Brokers Private Limited. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone telephone. At this time I would like to hand the conference over to Mr. Mihir Shah of Alchemy Share & Stock Brokers Private Limited, thank you and over to you sir.

Mihir Shah

Thank you moderator. Hello everyone on behalf of Alchemy let me welcome you all to the Q3FY11 conference call for UTV Software. From the management today we have Mr. Ronnie Screwvala – CEO, Mr. Rajeev Wagle – Group CFO, Mr. Amit Banka – Senior Vice President, Business Development and Strategy. We also have with us Mr. Siddharth Roy Kapur – CEO, Motion Pictures, Mr. M.K Anand – CEO Broadcasting and Hasan Sadiq – CEO for the Gaming Vertical. So without taking much time I would now like to pass on the floor to Mr. Ronnie Screwvala to discuss the quarterly financials and other key developments for the quarter gone by, over to you sir.

Ronnie Screwvala

Thank you very much. Good afternoon everybody and thank you for joining us in this call. I know a there are quite few earnings results today and we appreciate your time on this call. I want to take about 15-20 minutes to talk you through three headlines that I think sort of encapsulate this quarter and then actually walk you through these four verticals or three verticals broadly, though I want to specifically break up the games vertical into games and interactive just for the purpose of explanation of what we want going forward. We consider ourselves to be industry leaders in each of these segments. In motion pictures and games obviously everyone believes that we are in that place and I think in broadcasting as we unfold we will explain to you why we think that way and therefore some of my views will be a little bit broader and industry specific but connected to the overall growth pattern of where we sit as part of the overall dynamic of the business growing.

The first headline I guess is that we are overall pleased with our results. I think the integrated model overall for the company as we have been talking about for the last two quarters is further emphasized specifically, in this quarter as you see the break up the 255 crores of revenue for the quarter: about 40% of that comes from movies, about 40% now comes from television and 20% from games and interactive. So that is pretty much moving along the ratio that we always talked about. Broadly, if you look at it for the 9 months, it is about 49% from movies, 37% from television and 14% from games and therefore I sort of distinguish that as we are moving forward on the integrated model.

I think what is interesting to note also is that in terms of segment profit and contribution, for this quarter the segment contribution was 46% from movies, 36% from television and 18% from games and interactive and I think that is a significant jump up both from the television part and the games part.

So for some of you, who may just be looking at the broad results and not really understand the full context, I just want to highlight that if you are looking on a quarter on quarter basis and look at the growth overall, you might necessarily not want to compare the 41.48 crores approximately of PAT of this year with the 40.57 crores PAT of last year because it has an incident of 14.2 crores of deferred tax as an asset write-back. And therefore you know on a performance basis you would need to look at the 41.48 crores of PAT this quarter versus the same quarter last year at 26.31 crores before the deferred tax.

The second headline for us, overall is that I think we are pleased with the games vertical. Hasan looks after Ignition and True games and I think we have we Vishal Gondal and Sameer also on the call and they look after Indiagames. I think overall from each of the verticals of the games we have been very pleased with the performance. Indiagames specifically this quarter continues to now contribute in a profitable sense. Outside of that I think we will go specifically into the verticals but I think with regards to the key concern of our console gaming, I think we have moved forward to a certain extent. Some of you all may have read our interim release to investors. But as I go through the games vertical, I will be happy to point out. I think for this quarter about 90% of the segment of games and interactive comes to us from our console gaming input which is Ignition.

The third headline which may not be that prevalent unless you read the entire earnings would be that pretty much when we talked about our overall investment phase plateauing, I think that is something that we talked about in the last quarter ending September and I think this quarter we are pleased to announce that overall when you look at our net debt, it has gone down from the last quarter from about 997 crores. And it now stands on a net debt basis at about 837 crores. And I think this is because of a combination of about 4 or 5 or 6 reasons. A) Clearly we have on an operational front been very aggressive about our collections. B) As we can see our investments have plateaued and therefore are no real major investments and cash flows going out in any of the verticals. C) Specifically in our movies in terms of syndication and presales proceeds we had some good collections in this particular quarter. D) We had serious cost controls and we will get to that when we get to each of the verticals. But for example, our consolidation of our Ignition and True Games vertical in the US into one operation in Austin versus three, and similar ones across the board. I think in terms of direct cost and fixed overheads this has also contributed to the context we are talking about. E) I think there has been an overall serious push back on payments when we look at our movies. Now for most people who are actually are in the acquisition mode when it comes to motion pictures they normally pay out a large sum when they sign up on a contract. Since our model is much more ground up we have been able to look at even artists and key talent tied up either in terms of a serious push back mainly both in terms of, terms of payment as also in terms of the mode of payments to them and I think that has also contributed substantially. F) Overall in terms of continuing our cost saving would be exactly the consolidation of our USA operations into one and as we go forward even UK in that context and G) Last but not least I would say if all divisions are now in the black as you can see from this quarter, the trend was pretty much there in the last one.

So overall if you look at these three headlines namely games, the integrated diversified model and the net debt, I think these are the three ones.

I will move straight into each of the verticals, I will start with motion pictures – we released two large motion pictures this quarter which was Tees Maar Khan and Guzaarish. General media report and our sense would be that based on our present expectations of those movies we were personally disappointed. There was large expectation specifically the Tees Maar Khan that would be in a range what a Three Idiots would do and the direct stand there was a deep sense of disappointment. However, we have actually taken cognizance of the fact that when the media reports coming they turn to be an extremely and excessively negative and I think we would caution you on the thought process. Whether we like it or not Tees Maar Khan did have overall statistics with net box office crossing 75 crores and gross box office crossing a 100 crores as we had talked about in our previous communications just between music and satellite our revenue is total 30 crores. So net contribution to a company when it is in the range of 65-75 crores there are no media reports that we can actually talk about and describe the movie. Having said there was a sense of disappointment where we thought these movies would land. But primarily and in summary, I would say that in 2010 the two top opening weekends out of the five came our movies which are Tees Maar Khan and Rajneeti.

Quarter four is an interesting quarter for us because it is pretty much broadly three UTV Spotboy releases and the good part of that is costs are always very, very strong and tight and I think from that point of view, they are all three interesting projects, specifically if we talk about the first one that we already released which is No One Killed Jessica. Overall in box office I would say it would be one of the top small movies box office ever just in terms of reference from many of you. It would have crossed the box office of Jab We Met or Rock On or Paa without having any male stars obviously having female protagonists and a very serious theme.

So I think the second release in this quarter is Dhobi Ghat which has a miniscule cost and you know continues with our strong relationship with Aamir Khan and the third one is Saat Khoon Maaf and we see all of these all getting released prior to the start of World Cup.

Just a few broad industry points that I think came up over a period of time. I just want to deal with them. One even in our last conference call there were specific questions as to really what is our differentiator between other what I would call corporates in the Motion Picture field. This is of course outside of the fact that UTV overall seized revenues from multiple sources but specifically in the movies, studio model, I would like to stress on a few more with greater clarity.

Number one – obviously and clearly the fact we pursue our own productions from script, from costings, from building our budgets upwards. Second – when we go into a co-production it is actually a co-production necessarily and mostly with the director. And normally when there is an acquisition that is overall guised as a co-production, it is normally a differentiating factor. The reason I can best differentiate it is if I call myself doing a co-production with a producer then actually I am paying a substantial premium because that producer would have cost the movie at X then I am paying 1.4X to 1.5X. So primarily that would be defined as an acquisition and for the upfront payment and the premium I obviously would buy out credits. That is the differentiating factor what I think other corporates would follow versus our model which is own production and co-productions. We are completely in control of the entire content green lighting, we see and monitor the entire full cycle of each movie, from the beginning to the end. We have a very, very high focus group and a research bent and I think we do that three months before and at this point no one from the corporates gets into actually the level of research, the level of focus groups that actually gives you almost a very clear and 90% visibility of where we think the movie would land in the opening week and the reason why it would not be practical for other corporates to do that is primarily because they don't really have an access and the ability to see their product as they go forward and last but not the least – the marketing and distribution is fully based on our full knowledge of the content and our ability to control that. So I think this was just a question that I was preempting.

Second, I think we've overall started an initiative where we do believe that the cost in marketing the movies has reached levels which actually represent a 20-25% wastage of expenditure. This is culminated primarily because the internal competitiveness where people feel the compulsion to raise noise levels without necessarily reflecting in augmented revenues or box office. We did re-lead an industry initiative on that some of you'll may have read about it in some of the local media. But overall it did not have a full consensus from the entire industry as each one had their various reasons, some companies may have had pressures to draw more on perception than content some others would have had many more singular reasons for the same. But I am pleased to report that in spite of that there is an overall consensus that there seems to be general understanding within the industry that there is 20-25% wastage and therefore a core group of people on their own have decided to sort of understand and pull this together. We believe that we have already initiated that process for our movies, of being much more retrospective as far as the spends that we have on marketing, and that would result in about a 20% saving on a per movie cost. This cumulatively on a 12 movie basis could result in the saving of between 18-24 crores. Just to give you an illustration for example the movie we just released, No One Killed Jessica, went out all over India without any outdoor, and by that we mean hoardings and many other aspects that go with outdoor media completely, nor any full page ads in media. These two are the keys ones that we have identified as what do not necessarily reflect in terms of cost to the box office and as you can see with No One Killed Jessica, there was minimal impact in us actually controlling our cost. So I think that is a good step for us going forward and even if it does not become industry standard, which we do believe in a year's time it will if the penny does drop, it is an initiative that we have taken. And I think just in terms of marketing to finish that up, the fact that we have four channels in our network and the four of them constitute a large GRP as a bouquet, that advantage no other corporate movie production house would have in terms of cross marketing and cross synthesis of the movies.

One last point overall, I think it is important that we do believe that in this coming year there are still movies being green lit at large costs because acquisition is prevalent in the industry at a premium. If you look at, and if I just run down through a fair amount of the list in the coming year, from what we understand and we are pretty reliable about our resources, RA.1 is budgeted at about 120 crores, Don at 85 crores, Ready at 65 crores, Bodyguard at 70 crores, Agent Vinod at 55 crores, Agneepath at 60 crores, Bol Bachan at 40 crores, Patiala House at 50 crores, Desi Boyz at 60 crores, etc. I think it will be difficult if the cost levels on these continue.

Overall UTV philosophy going forward has been that we believe that the cost needs to be corrected by another 20%. I want to completely and absolutely confirm that for the financial year 2011-12 with just one caveat, which is that one of our movies which is movie called “Thank You” is pretty much in a zone where we are not fully comfortable with the cost and therefore doing a lot in terms of pre-sale, but with the sole exception of that, none of our movies from the entire slate coming up for 2011-12 exceed a cost of 40 crores. And I think we have been able to do that because of a lot of hard work over the last one year to look at our own benchmark and not be driven by competitive pressure to move forward.

I just want to again clarify that the cost should not have a bearing that therefore our movies are all at the medium scale. These are all multi-starrer movies. It is just that we have been able to move them around at the right cost for all the reasons I explained in the model above.

Moving on to games, in Indiagames we are extremely happy with our progress. Last year we kind of rationalized our international overheads in cost structure and moved the entire international part in terms of optimizing our revenues to the Walt Disney Company. Overall in the mobile space we rationalized marketing cost on a per mobile subscriber basis in the mobile vertical and that has not actually affected our revenue and actually given us a bump up in our margins and there has been an encouraging movement in the GoD, what we call the games on demand which is the online gaming. So, with the combination of these three and many others, I think Indiagames now continues to be in the black and profitable on a quarter-to-quarter basis and we are continued and excited about the overall proactive steps we are taking at Indiagames for 3G, 4G and all the other smart phones in tablets that go in there. And I think for first time around in Indiagames we are also focusing on original IPs as we see this market growing. Outside of our aggregation model, our focus is to a certain extent and slowly also turning to originating our own IPs.

In Ignition and True Games, I think starting this quarter which is the October to December quarter we have seen financial contributions that are now ongoing and I think from this quarter onwards you will see that. The overall cost savings for merging, and when we say merging we mean operationally merging they are not necessarily physically merging, the entire operations of our online gaming business with True Games and Ignition actually brought about location consolidation,. So our three different operations that we were running for publishing on the west coast, a studio that did our Reich / Boom game on the East Coast and our MMOG play in Austin is all being consolidated in one place in Austin. This has brought about an annualized cost savings of between USD 3-4 million.
So overall as you see we will see a consolidated sense of operations and this is along with the fact that we are developing our three major IPs which is the El Shaddai and I will get to that in a minute, War Devil which is also known Kane and Reich which has set a broader working title which is called Boom plus about 4 of our other ongoing IPs plus the IP specifically from True Games which is Faxion and Mytheon.

Now specifically when it comes to El Shaddai for those of you who didn’t have the ability to read the notes that we sent out about three or four weeks back. The headlines are as follows:
The game has picked up an incredible amount of traction in the Japanese market and we believe therefore it is a good game for us to be able to launch specifically in Japan and then take it to the rest of world. The hard date for release is April 28th for Japan and it is across the platforms of Sony and Microsoft. Sony of course in Japan has 75% of the PS market and Microsoft has 25% as compared to the rest of world where they both 50-50 and I think a part of that is also because Sony is a Japanese company and the reason I am explaining that is because we are also very strongly positioning El Shaddai as the game that come out of the Japanese studio by the Japanese, for the Japanese. And that is how our PR works ever since we launched the show at the Tokyo game show and I think that works because Japan similar to India is very nationalistic about the products that come out from its own and prefer to look at that consumption. So that is good first benefit for us.

I think the second clear benefit is the overall strengthening of the yen to the US dollar. We have invested in this game over the last two years and obviously through India and in US dollars and the retail price which normally is the range of about 7800 yen now translates to about USD 81. If you have noticed in the past when we talked about our retail price for these games it has always been 59.99/60 dollar. So the ability for us to be able to do it in that same price except that the realization in dollars for that same price is now gone to 81. We see that there is very good advantage specifically with the Japanese territory and that is also the reason why we feel strongly about releasing it there.

And third and lastly we have partnered with both Sony and Microsoft to go forward on that game specifically in Japan. We picked the week of April 28th because a) all games in Japan actually release culturally as compared to releases in some of the other countries which release on the last three days of the month because that is directly reflective of pay day or receiving salaries in Japan. b) 28th is just before an eight-day week which is what they call their golden week which is equivalent of the Chinese New Year in China and on Christmas and New Year. So it is almost as equivalent as releasing a game just pre-Christmas in the US or in Europe.

Lastly, I think we had some good traction with ancillary revenue and with rest of the world territory. So our principle markets for our games are the United States of America, Europe as a whole and Japan but there also ancillary territories which are the rest of Asia, little bit of South America, a little part Eastern Europe and many others. So a combination of some of the franchise and ancillary revenues along with merchandizing revenues along with rest of the world sales has contributed to the minimum guarantee of about $10 million around $5 million of that has been recognized in this quarter and we believe 5 million would be recognized depending on some deliveries we need to do in this coming quarter of January, February, and March. So none of this revenue of 10 million reflects the potential of the game and it is the game releases in the US, Europe and Japan which is the core revenue in that market. We have in that process also tied up strongly with some of these ancillary and merchandizing titles. So Bandai which is actually the number one toy manufacturer in Japan has been part of the tie up that we have done and obviously we will get a tremendous amount of marketing support because they will launch their range of toys along with the launch of El Shaddai and so also is the number two jeans company in Japan.

So I think overall we are pleased with this and this brings us to the next level of what we want to do with our console. I think it is important that we establish us a studio that could bring about a good and successful game and I believe that even if it is an average success which to us is between 800,000 to 1 million units, we have established a very strong threshold and a brand for us to be able to then say you know, we are capable of releasing games and we are capable of producing the games. And I think that is the way forward of how we are looking at that.

I want to break this up games, and interactive and in interactive I just want to summarize with a few things – it is a substantial initiative for us as we go forward. We have already done a lot of work in the audio cinema and devotional aspect. I think we have invested heavily into the celebrity market and we have got tie ups with celebrities to do everything they do in new media, they will do through us, and that's across the board from that perspective. We also believe that the entire advent of 4G will see us in great stead as much as in 3G in almost everything we do in content in our television and movies business along with obviously our game business with Indiagames. So I think that is a very high focus area for us, to innovate as we see a large amount of opportunities. I cannot underscore the propensity for the media companies such as ours which are not platform driven and or not jobbed keep broadcast as a single model but more of a content company that has established top brands whether it is in television or Motion Pictures. To look at that not just for our catalogue of library but actually how we can co-create for the 3G and the 4G market.

Lastly, broadcasting – I think many have questioned the overall scalability of a model when you don't have a GEC. I think this quarter we established in television 100 crores run rate which if you look at that on annualized basis, is 400 crores and that is without a GEC. I think that is good communication straight through that we have strong belief that mass specialty channels would work and I think that is the way to go. We continue to not be bullish about the general entertainment space. We actually do believe that it is in that context something which is going to be where you have to continue to keep investing and innovating at the level of programming. There are obviously the three big general entertainment channels that started 15 - 20 years back. They have a huge head start and their ability to rationalize cost in programming and the fact that the distribution and carriage cost will always be much more competitive than anybody else that is started in the last one year or may start here and after and therefore we stay away from the general entertainment space.

I think three of our four channels are pretty much leaders in their space. Which is Bindaas as over last six months has been the number one youth channel. I think Action has its own leadership sense and World Movies really doesn't have a benchmark to go with but is a leader in that sense. And I think the fourth channel which is a Hindi Movie channel we represented the best cost model because the ability for us to look at content cost that we do proportionate to the revenues we see a unique fit as far as that goes. Bindaas for us actually turned the entire content graph in the last 6-9 months. I am pleased to report this is no longer now just a one show wonder, i.e. Emotional Atyachar and I think 2 or 3 more of our franchises have kicked in over the last 3-4 months and making it an overall sustained balanced approach on how we look at that. We are looking at the regional space and I think over the next 3-6 months we are looking at either through the brand name of the Bindaas or through the brand name of Action looking at an expansion into Indian regional language market and we will definitely share with more with you. These are at almost miniscule to via incremental cost very nominal in that context.

Also our focus is the 360 degree brand and therefore for us the Youth Brand and the Action Brand are two important ones for us to be able to look as we take this business forward.

Television production which forms part of the content part of our TV part, I think we've had a very good run. We've had 12 shows on air including Rakhi, Rakth Sambandh, the Wife Swap show which is called Maa Exchange, Emotional Atyachar-II, Big Switch and two of our most successful South Indian shows Kolangal and Metti Oli are both now coming on, obviously in a Hindi version and therefore slightly modified, one on Star Plus and one on Sony.

So overall if I were to summarize the entire thought process – 1) A diversified model. 2) Games this quarter has clearly shown its teeth and so is broadcasting in margins, net debt and our focus over the next quarter is obviously to even keep working on that and the capital employed. Our 9 month figures, if you compare with last year, we have already crossed our overall last year's figures in 9 months from a revenue perspective and quite largely on the profit side of it and overall I think our focus in our business from a movie perspective is content, costs, marketing and revenue, in games it is release and liquidity and in interactive, I think it is single largest focus for us for higher growth prospects within the group and in broadcasting I think we are in a very good place with a high focus on revenue increase, on brand, on a 360 degree approach, and new languages and other initiatives. I thank you and we open this up for questions.

Moderator

Thank you very much sir. Ladies and gentleman we will now begin with the question and answer session. Any one who wishes to ask a question may please enter * followed by 1 on the touchtone telephone. Participants are requested to use only handsets while asking a question.

Our first question comes from the line of Abneesh Roy, Edelweiss, please go ahead.

Abneesh Roy

Sir good set of numbers and good cost control. My first question is on the movie business, you spoke regarding Tees Maar Khan and you also said in FY12 just one movie is crossing the cost of 40 crores and in Q4 we are having three movies from the UTV Spotboy segment. So my question is, are we focusing now more on the Spotboy business and lesser focus on the Tees Maar Khan kind of budget? Is that the strategy in the movies business?

Ronnie Screwvala

I will let Sid Kapur, who heads Motion Pictures take the question.

Siddharth Kapur

You know our focus for the last two years on the smaller movies has been on insuring that we've got a pretty mixed slate. So when you look at our slate over the last few years from a Khosla Ka Ghosla, Dev D, and Aamir and so on, it's always that a mix of may be if you have 12 movie slate, you had four movies on the smaller side you had four on the medium side and four big budget blockbuster movies. Now those big budget blockbuster movies, when we talk about them, what we are saying is that they will be blockbusters but not necessarily big budget movies. So the focus is really on ensuring that the cost model is very effective, on ensuring that our smaller movies give us disproportionate revenues in terms of really doing exponentially what they would otherwise do but on insuring that we've got a pretty mixed play. So the Spotboy movie in a general state will comprise 25-

30% of the number of movies and the objective would be in terms of revenue, for it to comprise at least 20% of the total revenue which would mean that they have been very effective films.

Ronnie Screwvala

Just to top that up so that we understand what we mean. What we are saying is that these movies that we are looking and realigning in the range of even 40 crores or less than 40 crores are really what the cost are. When somebody comes to acquire them, that is what is costing the primary producer to produce in any case and somebody is acquiring at 60. So since we are not in that acquisition that take a normal 40 crores movie to 60 crore, but it is the same big movie in the first place we are 40 crore level. I just want to make that differentiation.

Abneesh Roy

Thanks for those and my second question is on the TV business you have done 100 crores in Q3. How does FY-12 look in terms of in terms of Ad for the broadcasting part of the business and have you started getting money from the DTH subscribers in a major way?

Ronnie Screwala

I will let M.K Anand take that question.

M.K. Anand

Yeah, FY11-12 looks as bullish in fact as for this current year, so ad sales we are hopeful about in terms of being able to push our ad rates even further and the revenues from that stream. With reference to DTH, yes we are now able to collect from all the DTH operators - all operators are pay with us .All of them.

Ronnie Screwala

Just to add to that in terms of the head rooms for example we will give you an example in one of our channel which is our Youth Channel now it has been you know clearly a leader for the last six months but some of the people in the space with which we to compete; with actually their rate is still about 40% above our present rate today which actually represents an opportunity because they have had it more because of legacy issues and they have been around in the business for 10 years, we have been around 2.5 years. So that in fact actually represents the key opportunities for us to able to claw up very significantly.

Abneesh Roy

Sir my last question would be on the regional space you mentioned you have plans for expansion there and you also mentioned in terms of cost it is not going to be huge, so will it just be a translated version of the current channels because you will need local content also.

Ronnie Screwala

If it is original content then it will be produced. We see this more as, for example the concept of a UTV Action is really that it’s worked because of the primary not because it is dubbed, it is no longer looked as a dub channel. It is just a very unit content offering. Taking the best of action from all over the world specifically Hollywood and taking it. So it is to be in that context, so for competitive reasons I don’t think we can spell it out but you should look at it in that same spectrum of how we looked at not going into English movie channel but looking at UTV Action as a branded space in the Hindi segment.

Abneesh Roy

Sure. Okay sir, thanks a lot and all the best.

Moderator

Thank you. Our next question is from the line of Rishi Maheshwari from Enam AMC, please go ahead.

Rishi Maheswari

Thanks and congratulations to the management, good set of numbers. I'd like to know, a lot of your movies are under co-production deals. Can you give us some color on how is the model crafted? Is it on an incentive model for the director as you mentioned/the co-producers. What is your benchmark in any given movie in terms of percentage of the cost of the movie that you would invest and how is the revenue deal share in this.

Siddharth R. Kapur

Yeah, so you know, as we were saying there are two types of so-called co-production that exist in the market right now .There are basically acquisitions that are termed as co-production which are necessarily acquisition where you have a credit but what happens is when you do a co-production with a producer you are actually giving him his margin upfront. So for example that could range anywhere between 20 to 30% of the production cost. The co-productions that we enter into are actually co-productions primarily with the director and what that would mean is that we do a deal with the director where he gets fee upfront, which would be his direction fees. We look at the production cost of the movies specifically and actually pay as we go like we were doing our own line production suppose it was our own production completely that is exactly what we would be doing. The difference here would be that the director would get a backend after we make a significant in margin. So as you will see it is pretty much the same as doing our own production except that there backend for the director in this case and it is much more cost efficient and it works out better for us.

Ronnie Screwvala:

And when we say significant means at least 35% margin after recovering our cost before any backend stuff…

Rishi Maheswary

Sure, Okay, Secondly you mentioned that Tees Maar Khan qualitatively may not have matched up to your expectations. Can you point out some reasons on why wasn't it up to your expectations? Were you there right from the script to the final release of the movie, throughout the movie or and how are you going to overcome this challenge in the forthcoming movies?

Ronnie Screwvala

I think it is a more offline question, in a one hour conference call, but I think Sid will still give you the one minute crack.

Siddharth R. Kapur

Sure. I mean I would like to start with the disclaimer that you know it is the movie business so it is going to be difficult to ever know exactly what is going to pan out with the film, and probably our set of expectations with this film was really quite high, we were thinking it would be another 3 Idiots. Based on that I would say that, we are disappointed, but if you look at the fact that it's grossed more than a 100 crores worldwide at the box office and been able to get presales deals on music and satellite at more than 30 crores. I guess our expectations are probably higher than what they should have been. Having said that, I will say that it was disappointing the way the film turned out in the second half and I think probably from script to screen, it did not turn out exactly as we would have hoped for it to do and there are certain learning lessons that we have taken from it, which I would prefer to elaborate may be in offline call with you. But they are definitely learnings that we taken away from that. This is one of those movies, where we were involved from the start. We had read the script but what we had read it to finally what turned out, might not be exactly the same thing, but it is the combination of the producer, of the director and all of us frankly, so I think we should all bear the brunt for that and at the end of the day, it still is a financially successful film, but probably below our expectation.

Rishi Maheshwari

Sir, just to add on that the reason for asking this question is the lower margin in the movie business was the result of lower expectation in terms of gross revenue or was there something else to that?

Ronnie Screwvala

No. I would just like you to look at the margin not on a quarter-to-quarter basis in the movies. So if you look at the last two quarters and this quarter, the quarter revenue are combination of you know presales they may have happened on something else. Satellite deliveries in the last quarter may have happened. So if you look at the three quarters, on a nine month basis, it will be 38% and I think that is how you should view it because it won't necessary reflect that movie that quarter and any way Tees Maar Khan released on 25th of December, which is literally I think less than four working days or business days before the end of the year.

Rishi Maheshwari

Sure, and lastly on El Shaddai you mentioned at least 500,000 unit sale, in Japan. What is the likely figure in your mind?

Ronnie Screwvala

I think what we put down is our likely figure, what we think is the likely figure. But you know I think that is what we have communicated as our likely figure; I don't think I can comment on it more than that.

Rishi Maheshwari

Sure thanks so much.

Moderator

Thank you. Our next question is from the line of Ruchit Mehta from SBI Mutual Fund, please go ahead.

Ruchit Mehta

Hi, in the movie side, in the beginning year, you set a target of 450 crores of revenues. Considering the disappointments in this quarter, would you look to revise that outlook for the current year?

Ronnie Scewvala

Well I think we're already at about 340 crores, for the year in that case. So I don't think we are looking at an overall outlook, I mean a 10% deviation in our overall thought process again we look at the overall company as a combined one and I think sometimes that is what happens, broadcasting may over-perform and movies may not in that quarter and vice versa in another quarter. So I think that we are already at 340 crores, so we should see how this quarter unfolds, so it is not much more that we can say at this point of time.

Ruchit Mehta

Sure and in terms of your broadcasting, would you be able to sustain the current level of revenue run rate that we have been showing or would it again get a bit of sort of scaling up in the fourth quarter as well?

MK Anand

The fourth quarter will not be scaling up because fourth quarter has January which is not a very good ad season. Fourth quarter will be as big as the festival quarter, but…

Ruchit Mehta

Will it come up to the third quarter level? Because you also have the World Cup and there might be some shifting of audiences, etc.

MK Anand

Yeah, it is not going to be higher, could be equal to or little lesser than the festival quarter.

Ronnie Screwvala

But I would just want to add two things, one is for the specialty channels, World Cup does not affect the sales. We don't see any dip in our sales because of the World Cup or cricket, based on people want to reach a youth audience, people want to reach a male centric audience and Hindi movies will always have their staple that is one. Two, overall our television division for the fourth quarter, overall in television segment, I do believe still cumulatively will result in a spike because we have actually two or three prime time shows launching from our TV content division. Therefore, you will see the integrated model kicking in again. So we believe that the 100 crores plus is the figure that would reflect in the fourth quarter.

Ruchit Mehta

Okay and just another question on capital employed on side of it in the quarter you seen from a 200 crores reduction on the movie side of it but the revenue accretion of only 100 crores. So I was a little puzzled. The decline of 200 crores is according to what? You have written-off something or?

Ronnie Screwvala

No nothing. There is no question of written-off, again it is not apples-to-apples because there would be overall a situation which could be in debtors, there could be accelerated collection of satellite sales that we may have accorded it in previous quarters, number one. Two, we normally get into the substantial future slate investment and to that extent as I said with the push back on the terms of payment both in terms and in mode of payment, we have been able to manage that. So no, there is absolutely no question of a write-off.

Ruchit Mehta

Going ahead, would you see that as you scale up FY12 slate, the capital employed could actually go up on the movie side of it?

Ronnie Screwvala

We do not see the capital employed going up more than 10 - 15% here and there in blips again, not on a sustained basis but in blips. And I think what will be relevant to point out may be one thing I didn't say in my introduction is that, outside of the Hindi movies slate, we have already invested the last nine months in planning for the South Indian and this year we will be looking at releases in Tamil, Telugu and Malayalam. The number of films could be as low as two or three and up to about four or five, for the financial year 2011-12.

Ruchit Mehta

Okay, thanks.

Moderator

Thank you. Our next question is from the line of Ashish Upganlawar from Spark Capital, please go ahead.

Ashish U.

Yeah, on the television side, you said that the run rate is about 100 crores as far as revenues are concerned. So what kind of traction are you looking at, say in FY12, on this? Secondly, on the cost structure how is it for broadcasting business? And how do you see it going forward, because programming would be ramped up if you are looking at viewership increase from here on.

Ronnie Screwvala

Yeah, I'll let M.K. also pitch in, but the summary here would be I think we manage pretty well for this year to actually not have a substantial or hardly any increase in the cost model. Overall we see that cost model being actually quite tight and flat for the next year, for these four channels. So the purpose of these for channels and their operations we see hardly if any a minuscule increase in cost and almost at the rate of saying there will be flat, with 5% here or there, it will be pretty much flat, which means there is zero increase in the cost. So, all commensurate revenue increase will go straight to the bottom line. In terms of overall revenue, M.K. if you want to add there for 2011-12.

M.K. Anand

Yeah. We as per the percentage growth, we are looking at a roughly 25-30 odd percentage growth in ad rates, as we go forward, because all our brands are currently doing quite well and the flagship brand Bindaas has seriously good headroom vis-a-vis the ex-number one MTV. So from that point of we are quite bullish about the ER led or ad rate led revenue growth.

Ronnie Screwvala

So the next year, keeping the cost static, it would be a direct translation to the bottom line. I think over and above that our television content part will also grow because, if you would look at our fourth quarter of this year, we believe that will be a single highest quarter in the last five years, for our television content business and if you take that as our run rate, we don't have too many one off shows, and there are many more sort of a regular daily running shows, I think that will also contribute substantially to the overall television segment of the business.

Ashish U.

Okay, and one more thing, on the movie side of it, could you give me a break up of how it stacks up between satellite, theatrical, and other stream of business, for this quarter?

Ronnie Screwvala

For which quarter?

Ashish U

This quarter, third quarter.

Ronnie Screwvala

I am not quite sure, whether we want to go into that detail at this particular point of time, but Amit would be happy to look at a break up. Television, satellite just now has a higher realization. Normally what goes about, is about 50% comes from Indian theatrical, about 10% from international theatrical and the balance 40% from home video, satellite television and music, and that 40 could be broken up into 25, 10 and 15, for television, music, and home video respectively. However, I think due to some aggressive presales or sometimes some of our movies working well, overall I think, some time television contribution can be more than 25%.

Ashish U

Okay, thank you.

Moderator

Thank you. Our next question is from the line of Manoj Behra from Equirus Securities, please go ahead.

Manoj Behra

I just wanted to know the breakup of the revenue from the gaming segment and in terms of Indiagames, True Games, and Ignition.

Ronnie Screwvala

I think if you look at these segments of revenue for this quarter which in terms of overall games would be about 45 crores I think about that six crores is interactive, leaving 40 crores in games, 12 crores and that 40 crores would be Indiagames and the balance is coming from Ignition.

Manoj Behra

Sir, you have clocked a very impressive margin in this quarter, so can we expect this margin to be sustainable going ahead?

Ronnie Screwvala

I think this is something we were saying for a couple of quarters. The simple answer is yes. The sort of longer answer is the reason that you are seeing the margins mature, is that before this we had one business that was in the mature phase which was Motion Pictures because the margin reflected was the Motion Pictures margin, now as broadcasting is in the black and starts delivering, provided they keep the cost model right and the revenue goes directly to bottom line and games actually kicks in with the revenues and with the margin, it is but evident that you would see a conglomerate of three different margins kicking into the business and therefore they would be sustainable, if not growing.

Manoj Behra

Okay thank you.

Moderator

Thank you. The next question is from the line of Vikas Jain from Motilal Oswal Securities, please go ahead.

Vikas Jain

Good afternoon Sir, congratulations for a good set of numbers. My question is in the television segment your revenues have improved by 20 crores sequentially compared to last quarter, whereas on the EBIT level it is from 5 crores to 21 crores, what is the reason for that?

Ronnie Screwvala

I think there are rate realizations in terms of advertising, some of our television shows going in and a certain amount of content that we look at, I think October, November, December in terms of seasonality is peak, rationalization of cost, it is a multiple of inputs.

Vikas Jain

So which are the shows which are going on air where you are getting better advertising?

Ronnie Screwvala

I think it is the channels, I think it is not a questions of shows and like GEC, actually it is brand Bindass that gets sold, not one particular show and UTV Action again is the action genre, so it is really the channels and the brands that reach out than actually show wise which is the reason why you would find that our cost would be much more tighter than GEC channels.

Vikas Jain

So, going forward the bottom line would improve with it?

Ronnie Screwvala

In broadcasting we are very clear about that, yes.

Vikas Jain

Okay thank you sir.

Moderator

Thank you. Our next question is from the line of Ritwik Rai from Kotak Securities, please go ahead.

Ritwik Rai

Sir, firstly on television once more if one looks at it year-on-year, the growth is not all that strong in revenues, considering that this quarter had the impact of the additional effect of the festival season being concentrated in this quarter and so on, the margins have of course improved, so could you give us some more idea of exactly what is going on here, because it seems like the revenues are not growing all that strongly, because considering that you would have a lot of DTH revenues coming in plus the advertising revenue growth should have been pretty fast, the revenues are not going all that fast on a year-on-year basis. So is it something to do with the content part of it doing better than the broadcasting or something like that?

Ronnie Screwvala

Okay, I must say I do not understand your question at all because I think there has been a tremendous amount of growth in the overall segment, so I am not quite sure what your reference to context would be because until I do that is very difficult for me to answer the question. We believe there is a substantive growth in the overall segment, all our channels that picked up are content outputs so television content has picked up. So, unless there is specific reference that you have in terms of figures.

Ritwik Rai

And sir in television -

Ronnie Screwvala

You are saying that 181 crores growing to 254 crores is not impressive is that your specific question?

Ritwik Rai

No, I am talking about the revenues first; I am saying that 88 crores going to 101 crores, considering the festival season and considering that you must be receiving much higher subscription revenues now, is not all that impressive.

Ronnie Screwvala

I see, I think again you are looking at situations which you need to sort of slightly bifurcate. For example, in the last quarter of this year one of our televisions may have been there, I would urge you to firstly look at 184 crores versus 250 crores to look at the correct picture in that context, for us to be able to look at that, outside of the fact which you think on a quarter-to-quarter basis from the last year same quarter, there has been 15% growth to that I would say two things from a broadcasting perspective, there is a higher percentage of growth, from a television content perspective there might be a few shows that may have gone off, so therefore I would urge you that we see this as a 30% growth story, if you do not we would be happy to break up the numbers and demonstrate that to you.

Ritwik Rai

Okay sir and in terms of games, one would expect that the substantial part of it would come in FY12 now, right from El Shaddai?

Ronnie Screwvala

Well, not just El Shaddai but we have five and six different revenues, India games clocked in about 40 to 50 crores in terms of revenue, El Shaddai, and Reich/ Boom and WarDevil stroke came plus two other small IPs like Dragon's Crown plus the entire publishing business of Ignition, plus the launch of our IPs of the MMOG business in True games all of that is what we constitute the games worth contribution next year. Over and above our interactive division which this year I think has contributed about 18 crores and we will see that almost doubling this year.

Ritwik Rai

Sir, could you give some kind of guidance for the next year for games?

Ronnie Screwvala

I am afraid no, I think I would urge you to be patient, I think everyone would has seen us through, we have delivered what we have said, we are at the cusp of releasing of our first game, we have demonstrated some sense of minimum guarantees and exactly the times that we have. So, I would be hesitant to give you any specific guidance, I think the guidance best that I could give you was the one that I mentioned about our margins overall. But I think the only thing I would say is that we expect that about 30% of our next year's revenues obviously increased from this year would come from games and interactive division.

Ritwik Rai

Okay and just one more thing, on the interest expenses, quarter-on-quarter substantial increase even though your net debt has actually declined as you said, so anything in that in terms of I believe a portion of interest expenses were booked in movie direct expenses last quarter and so on, so is it that or what is it?

Ronnie Screwvala

Yeah, it would be a concept, if they are large movies, then they have their large interest, then it falls straight into the interest expense, that would be expensed in that quarter and you are absolutely right on that observation. But from whatever I understand the last quarter the interest rates also cumulatively have gone up.

Ritwik Rai

Could you give some more clarity on what is the rule that you follow in terms of, if it is a large budget then you expense a lot of it in interest expense is that it?

Ronnie Screwvala

No, I am saying if there is an interest being carried on a particular Motion Picture, there is nothing with large or small and there is no rule in that context, if there is a larger budget, you would obviously find that the component of interest which would have allocated to that will obviously get expensed in that quarter also.

Ritwik Rai

Okay, in terms of movies the amount of interest expense that you expense in the direct expenses, the interest in terms of movies always gets expensed in direct cost, does it or does it not?

Rajiv Wagle

Yes. The way we allocate interest is whichever property that we buy, the interest that goes directly attributable to a game or movie is capitalized, then we release it and then it goes part of the cost. There are certain things that we will not be able to capitalize it on for the rest of the part into broadcasting etc-

Ronnie Screwvala

Those are expensed on quarter-to-quarter basis.

Ritwik Rai

Alright sir thank you sir.

Moderator

Thank you. Our next question is from the line of Shikha Jalan from Smifs Securities, please go ahead.

Shikha Jalan

My first question is regarding the five million of merchandising revenue booked in this quarter, what is the cost booked against this in this very quarter?

Ronnie Screwvala

2.5 million, I am sorry between 2.5 million to 3 million, I do not have the exact figure, but it will be in the range of 2.5 million to 3 million.

Shikha Jalan

And next 5 million will be booked in next quarter so what kind of cost will be booked in next quarter?

Ronnie Screwvala

We believe it will be almost similar but may be a little less.

Shikha Jalan

Okay, sir my next question is regarding the India games news which is doing rounds UTV selling some stake please clarify on that –?

Ronnie Screwvala

Well, number one we do not ever comment on media speculations, so we would continue to not do so. Two, there is a limitation to what I can necessarily therefore expand on this particular case. Three since you have asked me a specific question, I think the answer lies in the fact that overall for UTV, games is an important vertical and especially the India scenario of mobile games, online games is an extremely critical part of the content story for UTV. Presently India games we have an investment of 56%, so if you look at all our business, which are fully consolidated either in the parent company or we own 90%, 95% or more it is the only one where we actually have 56%. So, we are actually looking at consolidating this to 100%. When we went forward with that, the other minority shareholders including the founder group, in the terms of the consolidation came up with an offer that would actually put a benchmark and see if they could necessarily look at how they can buy us out, while it is a consolidation story for us at this point, since we have taken that on note there might be some media speculation, but it obviously at a benchmark at which we find it is satisfactory for us to then examine that offer were it to come to us.

Shikha Jalan

Okay great. Thanks a lot for the clarification sir. Can you also give me the segmental breakup of movies and games? Segmental debt breakup

Ronnie Screwvala

Movies and games, in what sense?

Shikha Jalan

The debt taken sir, actually means the debt?

Ronnie Screwvala

There is no segregation I think, if you look at it from a capital employee point of view but there is no specific segregation that we do, it is part of an overall consolidated balance sheet.

Shikha Jalan

Okay, my next question is regarding the estimation for the games and interactive division as guided in Q4 FY10 around 400 crores, I understand the delay of the games and all so what kind of revenues do you think will be finally clocking in FY11?

Ronnie Screwvala

FY11 means the balance of this year?

Shikha Jalan

Yes.

Ronnie Screwvala

Again I think it really depends, we are working very closely to look at minimum guarantee deals for US and Europe, Japan we are going to go at it with Sony and Microsoft directly and ancillary revenues we have booked. The other kicker will come from one or two launches in True games and of course a consistent delivery from India games.

Shikha Jalan

Okay, so actually nine months clogged in 100 crores around from the games and interactive, against FY11 guidance of 400 crores, so I think roundabout will we repeat Q3 performance or?

Ronnie Screwvala

That will be a fair estimate, I think we should hopefully try and increase that but that would be a fair estimate to put down right now and I just wish to state that actually why we would like to comply with quarter-to-quarter, I think from the benefit of the games for us it is absolutely prudent that with El Shaddai we look at the right time and the right release and therefore this was a game that is ready and could have gone into March but as per the recommendations of both Sony and Microsoft we are looking at the April 28th.

Shikha Jalan

Okay sir.

Vishal Jain

Sir, this is Vishal here. I just wanted to know two things, because El Shaddai has some kind of time slippages for two three months, just wanted to know the current capitalized cost, the full cost after the capitalization of interest, what would be the cost standing today?

Ronnie Screwvala

Our broad cost on these games are about 25 million on this one, having said that we have already expenses 2.5 million as what we have communicated here, when the lady asked the question…

Vishal Jain

Right, so you mean to say 25 million is the cost, out of which 2.5 million we are booked?

Ronnie Screwvala

were expensed, yeah it is right.

Vishal Jain

And rest of the two games that we have worked on WarDevil and Reich they also close to contribute 25 million or a little more than that?

Ronnie Screwvala **T**

They would vary it would be in their average range but it will be in the range of 20 to 25 million.

Vishal Jain

Okay and lastly, what is the procedure of booking the minimum guarantee revenue, is it that when the deal gets cracked to them say for example, we get it done by 20th February or middle of February, somewhere or before 31st March, can we book it in this quarter itself or it is only when the game will launch and in this next quarter in first quarter of FY12 that we will be booked at?

Ronnie Screwvala

So, if it is to do with the release of the game, it has to be done either on the release of the game, if we are doing it in partnership like we are doing with Sony and Microsoft or the delivery of a gold master which is like a negative to the publishing company and not earlier. When it comes to other revenues like presales to third countries in that context, where we just have to give an overall master and/or ancillary revenues where the ancillary and the merchandising companies can go out and start exploiting which they have already, then obviously it is as per based on the contract.

Vishal Jain

Okay so in that fashion if I understand that for El Shaddai, may be it will be from first quarter FY12 and if this nature goes on for WarDevil and Reich we will get on to the same target time line, these both will be booked in entirely in FY12?

Ronnie Screwvala

Yes, I mean if they start to get release past December of 2011 it will be a phase manner, but otherwise yes.

Vishal Jain

Okay fine thanks a lot sir.

Moderator

Thank you. Our next question is from the line of Swati Nangalia from IDFC, please go ahead.

Swati Nangalia

In the movie segment of the 100 crore of top line, I understand you are not giving us a break up of the satellite rights, I just wanted to understand that Guzaarish, which was presale of 25 crores and 30 crores from Tees Maar Khan, have both of them being booked during this quarter?

Ronnie Screwvala

Not all of it, no. Tees Maar Khan would go into the next quarter.

Swati Nangalia

Alright so given that we had one movie which is Guzaarish, if you see an entire quarter or 100 crore of top line and 25 crore of satellite, I could not kind of get to the number of 100 for revenue?

Ronnie Screwvala

I am not sure, what the reference to context on that is because firstly you need to see the box office of both the movies get box blocked in, you asked me specifically on Tees Maar Khan. The box office of both those movies, there would be significant delivery that we have taken place on satellite of We are Family, or Peepli Live or many of the others in the last quarter and that is how that would work this is what I am saying.

Swati Nangalia

Alright, because if I would assume that We are Family also would contribute to satellite rights and given that satellite rights have a higher profitability, the segment profitability is around 27 crores for the current quarter?

Ronnie Screwvala

Madam I am not quite sure why you think a satellite television has a higher profitability, you cannot break that up in that context till you recover the cost of the movie or the revenues are contributing towards the cost, so there is no break up we do in terms of a margin on television is larger than a margin on theatrical. If you recover all our costs on theatrical it is 100% margin because television comes after theatrical in terms of revenue recognition. So that is how you should view it.

Swati Nangalia

Alright okay thank you sir.

Moderator

Thank you. Our next question is from the line of Mayur Parkeria from Wealth Managers, please go ahead.

Mayur Parkeria

I just had two questions, one on capital employed side. On the gaming vertical we have around 700 crores of capital employed and the investments which have been the subsidiary and all put together would be around 350 and the balance would be 350, so how do you see the gaming capital employed panning out over the next year, post release of El Shaddai and whatever other True games releases and if potential other own IP releases?

Ronnie Screwvala

Just a clarification even though it might be a significantly smaller amount it also includes capital employed in our 3G, 4G and the interactive part of the business and some of the rights in celebrities that we have done there, so that I think is already consistent there. Second, in terms of the 350 crores from the properties and titles that is where we see a direct inflow coming back based on obviously the liquidity events that comes from exploitation of the game. Separately as and when we look at this particular one as strategic investors because we have always maintained there the Ignition level you might look at that and explore that option that would obviously contribute to the next round of possible capital return contribution. But I think as you have correctly sized up 350 versus 350, the second 350 which is really into IPs and what we called working capital is what would be the flow straight back in.

Mayur Parkeria

So, broadly at least that much amount minimum we should look at reducing the debt by that much amount?

Ronnie Screwvala

That would be a fair assumption, unless we can demonstrate high success and therefore looking at plowing that a little bit more into games, but otherwise as it stands today, yes.

Mayur Parkeria

Sir, have all the three games been completed as far as the development cost is concerned?

Ronnie Screwvala

No, but I think the incremental cost for each one is now minimalistic, because this scale down the studios because most of the process that are there for going making the games go from key art and animation and many other aspects are all done. On the game play it is much more of tight technology team that was there because then you start working with the platform operators, you start doing QC steps across the board, so it is a much tighter team.

Mayur Parkeria

Sir, the reason why I asked from the cost perspective was the amortization policy on games is actually not based on the release, but it is on the basis of the game completed. So, if our games completion is on schedule then and if there is any delay in terms of the release or the minimum…?

Ronnie Screwvala

We have no accounting policy that talks about amortization on a game complete, it will be expense on release.

Mayur Parkeria

On release itself?

Ronnie Screwvala

On release, correct.

Mayur Parkeria

Okay sir, the last question which I had is, are we still having the agreement with Disney with respect to their movies where we have the 10% commission kind of arrangement for their releases?

Ronnie Screwvala

No.

Mayur Parkeria

Sir, any specific reason what must have changed in that?

Ronnie Screwvala

No, actually there is no reason at all and I do not think you should read into that. It is just overall when we are looking at our plate, the focus that goes in a marketing and distribution our own movies, especially movies like No One Killed Jessica to a sizable movie like Tees Maar Khan or Rajneeti, I think the core team is not looking in expanding what we have, this is a business with very core people in their trained for, so to us it stands we were clear that that would be a distraction for us going forward. I think if you look at the cluster of Disney movies also their philosophy over the last one and a half years has changed. They look at their movies more as things that give them a franchise opportunity world wide, therefore they come substantially in the Pixar stable and the animation stable etc and therefore I think they are quite comfortable with them looking at merchandising, animation is a difficult genre to look at here. But broadly I would say primarily with a focus in our own slate and not- is a part of the reason why we kind of looked at that because it was more question of us being able to work together. On the flipside for example, we work together with them on our international distribution and almost exclusively on distribution of our home video.

Mayur Parkeria

So, on the international distribution the arrangement which we had was as it is, as far as our movie goes?

Ronnie Screwvala

We distribute our own movies internationally presently, I am just saying that sometime when we look to them for augmentation and the home video is what they would do with them in India.

Mayur Parkeria

Okay, sir on the capital employed and on the movie side, as you mentioned very briefly on that, you have touched upon it about the incremental capital employed for the FY12 slate, in numbers term are you expecting 350 to move by roughly around 400 crores with that 15% rise-?

Ronnie Screwvala

Yes, that would be fair to look at and assume at this point in time. As I said we are starting to do a fair amount of investment in Tamil, Telugu and Malayalam. At this point we want the cost to correct, if the penny drops and the cost does correct and we do not have movies that actually got produced at right time, we will obviously look at scaling up.

Mayur Parkeria

Thank you very much sir and wish you all the best.

Moderator

Thank you. The next question is from the line of Amit Sharma from Wallfort please go ahead.

Amit Sharma

I just wanted to understand what is delaying the release of El Shaddai?

Ronnie Screwvala

Yes, I think you missed that because we did say that at this point there is no delay other than the fact that we moved February to April for two reasons, one because the buzz is very strong, two we have done some licensing in merchandising views on that context and therefore we are in a position therefore to look at and let that marketing also flow in. Three and most importantly both Sony and Microsoft have recommended that we move from February to April, it is a pretty virgin territory and it is almost like releasing it on Thanksgiving weekend or Christmas weekend in the US because of their 8 day long weekend of the Golden week.

Amit Sharma

I very well understand the third point, which is on Thanksgiving. But marketing and buzz I mean are we going to earn that advantage of your marketing buzz that is going all around, this is what you mean to say?

Ronnie Screwvala

No, I am saying that when we are done licensing deals for example with the Jeans company and with Bandai and many others, their ability to push because they are retailing products that are ancillary and supported to El Shaddai, also need to kick in. It saves our marketing cost and it augments the awareness of the game in the market.

Amit Sharma

Fine got it. So, this is not going to prop up our operating cost or any other costing models that we did earlier?

Ronnie Screwvala

No, Hasan, would you like to just chip on that last question? Hasan are you there?

Hasan Sadiq

Sorry, could they repeat question, I have got a bad line.

Ronnie Screwvala

No, I think a specific question only last one was that because we are looking February to April there is no cost escalation on that, it is more a marketing delay not more cost escalation today. That is the question.

Hasan Sadiq

As far as the Gold Master, the Gold Master does come in March, so there is no difference in costs, just a delay in the release because of the Microsoft and Sony advice.

Amit Sharma

Okay I got it.

Hasan Sadiq

Their advice is to release on a particular date.

Amit Sharma

That is fine, now things are getting clear. Now, another thing next year there are two games which are due to be released, any other games that you plan to or would -?

Ronnie Screwvala

No, absolutely, I think you need to understand that we also run a very strong publishing business, so yes there will be at least 7 to 8 other smaller games and titles on the console business, along with one more IP that we have created of another Japanese studio, not our own, called Dragon's Crown that is in the console part of the business. Obviously India games has a fair amount of what they want to do both in terms of sports in terms of cricket. The multiple movies that they release on mobiles through, movie games that they release and of course the titles that come out of True games.

Amit Sharma

So, we are estimating earnings on the same lines as El Shaddai?

Ronnie Screwvala

I am sorry, I did not get that question.

Amit Sharma

I mean, from the rest of the games next year, what are the estimates, I do not want a specific number but qualitatively?

Ronnie Screwvala

It is difficult to give you a qualitative answer, I think if I would urge everyone to have the patience to look at the results on El Shaddai and judge for yourself. I think so far we have been borne out correct on whatever we said.

Amit Sharma

You mentioned that next year will be targeting around 80 crores and then doubling thereon, what did this relate to?

Ronnie Screwvala

I think I have to refresh my memory on what I said about 80 crores and doubling thereof, 80 crores on what?

Amit Sharma

On the games front.

Ronnie Screwvala

No, I did not I think somebody asked me what is our forward looking for '12, '13 and I said it is difficult for us to estimate, we are giving you the inflows of how India games is kicking in, how True games is kicking in and what is the repertoire I have been looking at for Ignition and I think the only categorical statement or the indicative statement that I made was that we believe that in our next year's growth in total revenues, games and interactive should contribute 30%.

Amit Sharma

That is fine, so the revenue that you were estimate to be booked from El Shaddai this year will be postponing to next year?

Ronnie Screwvala

Except for about $10 million in this financial year.

Amit Sharma

Okay, which we have already booked, right?

Ronnie Screwvala

Which we have half booked and I would say, will book the balance half in the next quarter.

Amit Sharma

That is fine. Just one more question on the ad rates on television side. How are they panning out?

Ronnie Screwvala

I would say that if you look at it on a quarter-to-quarter basis between the last quarter of this year and this next quarter which is the July, August, September versus October, November, December there is a growth of 15% to 25% for various reasons, but if you look at it on an annualized basis in terms of ER, we are seeing growth of 60% to 75%.

Amit Sharma

On the entire ER front?

Ronnie Screwvala

Yes, in terms of ER front, entire ER front, yes.

MK Anand

100% in Bindass and UTV Action, more than 100%.

Amit Sharma

Okay and we seek to maintain the growth level?

MK Anand

It is not going to be 100% but yes, it is going to grow up quite substantially.

Amit Sharma

Okay fine, thank you very much and best of luck.

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.

Mihir Shah

Yes, thanks everyone for being on the call and thanks to the UTV management for giving us the opportunity to host the call. Wish you all, all the very best for the coming quarter.

Ronnie Screwvala

Thank you.

Moderator

Thank you. On behalf of Alchemy Shares and Stock Brokers Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.