



Movies • New Media • Television • Broadcasting

UTV Software Communications Limited

INVESTOR CALL – April 27, 2007

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RESULTS - QTR ENDED MAR 31, 2007

Moderator:

Good evening ladies and gentlemen. I'm Johnson, moderator for this conference. Welcome to the conference call of UTV. We have with us today Mr. Ronnie Screwvala, CEO of UTV Limited, Mr. Ronald D'Mello, COO, and Mr. Chandrashekar, CFO of UTV Limited and Mr. Amit Banka, VP Business Development and Strategy.

At this moment all participants are in listen only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Girish Swar from ASK Raymond James.

Girish:

On behalf of ASK, I welcome the UTV management and all the participants for this conference call on 4th Quarter results analysis. We would have a brief introduction by the management and then we would follow that with Q&A. I know hand over the floor to Amit.

Amit :

I would like to directly hand over the call to Mr. Ronnie Screwvala, the CMD of the company.

Ronnie:

Good afternoon everyone. Thank you for joining us. I am sure many of you will have various questions on our year's tally and financial performance and more so on some of our future plans. I daresay in the last four to six months we have focused a lot on what we would necessarily want to do for the future. I will dwell a little bit on the present year and then move straight into some of our strategies for the future. Overall, in the present year I think, clearly in terms of movies, we had three pictures actually that are completed and ready for release "The Blue Umbrella", "Hattrick" and "Metro". For various reasons, creative as well as strategic, we moved "The Blue Umbrella" and "Metro" into this coming quarter, which is April, May, June, and July, to that extent, and therefore you'll find that there is a deviation necessarily between the year before, which was a "Rang De Basanti" year and this year in terms of our movie top line revenue.

I think the line up that we have in movies for the coming year is extremely strong. We have a confirmed slate of about 8 Hindi movies. This is without any serious acquisitions. We will be looking at one or two acquisitions during the year. We also did two international movies, "Namesake" and "I Think I Love My Wife" that got released in just the last month of this financial year, which is March, and those revenues will trickle in as we go forward in the coming year; not all of it in this coming year, but over the next two years, because foreign films have different cycles for theatrical, DVD and home video.

On the television side of the business, I think we've done well, overall both in terms of both margins and growth. Besides our content plate we have grown substantially because of our airtime sales down South, in the Sun TV group, and the strengthening of our relationship with Radaan. Animation has seen a lift between the year before and this year, as is quite evident in the volume, which is a good trajectory, and promises to grow substantially in the next year, because we have really consolidated our position from the clientele that we've had internationally, the quality of work that we are currently doing, the order book that we have in the service part of the business, the growth plan that we have for ramping up our facility in animation, and also the synergies that it will have with some of our other new media activities. So I think broadly, if you were to look at our content business, which is pretty much the March '07 story, there's not much of broadcasting in there, other than a one time gain from the sale of one of our broadcasting activities. It would also be worth mentioning that there's very little there in terms of our New Media activity, because it really represents most of our animation outsourcing business only, and a very small quotient of about 10 or 12 accounting days, of one of our two strategic acquisitions, which is Ignition, the UK Company. So I think that summarizes our past year and I think we can dwell more into detail as we do the Q&As.

Going forward and I am not sure how many of you were there for some of our investor presentations that we had two weeks back. I think the company has, over the last 18 months done a fair amount of work in progress, and some of these chief strategic initiatives are A) Strengthening our content business, both in television and in movies, and as I mentioned in our movies business, outside of the slates that I talked to you about, which is about 8 movies, plus some acquired

movies, we do believe that we will release up to two Tamil movies in this financial year, and the international movies. Outside of that, we have signed up what is one of the biggest international movies, with one of the top ten Hollywood directors, M. Night Shyamalan, which is going to be a co-production with 20th Century Fox, which will go on the floor for a shoot in August of this year, to be released in June 2008. As our strategic initiative in the Movies business we have moved forward to unlock value there, and position it more as a global Indian movie production studio, because of our international and domestic slate, and some other activities. We have therefore looked at putting it into a wholly owned subsidiary and are at the final stages of listing that on the Alternative Investment Market, AIM stock exchange, of the London Stock Exchange. We believe in terms of time line, we should be listed between June and July of this year at the outside, based on all present plans and all market conditions remaining stable. At this point, we don't have any views that would discourage us from believing that we should be able to raise not less than 60 million US and up to 75 million US for not more than 25% dilution of this 100% subsidiary of ours. So that's the overall movie story.

B) Outside of our exit from Hungama in this year, of which you had seen a capital gain recorded in the company, in its profits from other income, we have done some strategic tie ups, and are therefore in the process of a very interesting threshold of redefining UTV's strategy in term of broadcasting, which is aggressive. And to that extent, we have clearly put a target base of launching our Youth channel by July 15th of this year, with a hard launch of August 15th in this year. There'll be two Bindaas channels that'll be launched at that particular point in time. It will be even more as we go forward. Outside of that, we have now two or three specialty channels and some more channels in the segment and are currently in talks with strategic partners.

C) The last portion, and again there's been a fair amount of that in the news in the last two months, is that with the acquisition of our controlling interest in two different gaming companies, a mobile gaming company here, which is India Games, and a console gaming company in UK, we have integrated our entire animation work, which includes ramping up our facility for outsourcing, as well as for local co-production, and our post production facilities, all hub under a central leadership with UTV UK Limited, which will be an all new classification of our new media. We see a lot of

benefits, in terms of being able to synergize between all these activities. We have given it focused management and leadership qualities. With these acquisitions we have also inherited, top-level people at technology, worldwide marketing, creative concepts and business development quotients in terms of the overall management team. So we see a fair amount of growth there. And I think it will be pertinent to know that almost about a 100 crores more in terms of top line could come from just these two acquisitions in the current year as we go forward. So that's by and large the trajectory of what we're looking at. And we'd now like to be open for questions.

Question and Answer Session

Moderator:

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

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

Kaushik:

Mr. Screwvala, "Namesake" has been released last quarter, and you have said it's a success. Can you say something about the profitability of the movie?

Ronnie Screwvala:

Yes, firstly there are no financials recorded in March 2007, secondly; it has just been released internationally. The economics of an international movie are very, very different from an Indian movie. In an Indian movie, you can project the overall trajectory within four to eight weeks of the release, however, it is difficult for us to do that in the international one because in international movies, box office accounts for approximately 30% of total revenues, the rest coming from home video, television and others. For example, the statistics for Namesake are the following. In India, it's done more than about 6 to 7 crores in terms of Box Office. In the US, it has crossed Box Office of more than about 8 to \$9 million, and the rest of the world another \$2 million. By and large, till we actually see the Box Office closing, this is a movie that will do equally well in DVD and television, and we believe Box Office will account for between 30% and 40% of its total revenues, and the balance 60% will come from home video world-wide, because its an English language movie. So still very early days to predict its revenue potential, but I think whatever we

have planned, it is going to meet our expectations and more.

Kaushik:

Okay, what was the cost of that movie?

Ronnie:

The total cost to us is about \$3.2 million US.

Kaushik:

That is one third of the cost?

Ronnie:

That is correct.

Kaushik:

And what about the other movie, "I Think I Love My Wife".

Ronnie:

"I Think I Love My Wife" had an overall cost of around \$14 million and we put in 50% of that. And that again will have the same trajectory that we have covered, in fact that will be a lot more in home video and television, because it's a star movie, in the sense that it's got a star cast.

Kaushik:

Okay, and another thing I wanted to ask you, see, last year your ROCE was around 9%, that is what you've quoted in the release, how do you see it going forward, say this year and next year?

Ronnie:

To be honest, we were in investment mode in our broadcasting activities, so at this point in time we'd have to say that we're not going to be able to correct ROC's for the next one year to two years for the following reasons. We're substantially ramping up our movie inventory, so we'll have a lot of work in progress, because we're doubling our slate. Two, in broadcasting, we're in investment mode for a very, very interesting platform. So on both these two; they will definitely not contribute to improving the ROC's.

Kaushik:

Okay, thank you.

Ronnie:

Thanks.

Moderator:

Our next question comes from Mr. Nainesh of Tata Asset Management.

Nainesh:

Sir, I just wanted to understand, in your statement you mentioned that you planned to raise via the listing approximately \$60 to \$75 million for 25% stake, is that right?

Ronnie:

That is correct.

- Nainesh:** Last time, when we had met during the analysts meet, you mentioned that you planned to raise approximately \$100 million for this same 25% stake. Within a couple of weeks, what has changed, that has made you to reduce the amount that you want to raise for the 25% from \$100 million to 60, \$75 million?
- Ronnie:** Absolutely nothing. I think between my contexts then or now, nothing has changed completely, I think in both we had mentioned "up to", so I think there is nothing that's changed. So you can take that as a range, at the end of the day, it's a book building and discovery process for the valuation, so nothing has changed. In fact, the pre marketing has only encouraged us to see to it that we are on the right track. I just wanted a caveat that in both times I said "up to".
- Nainesh:** All right. Because I thought you last time mentioned that you would be able to raise 100 million, and suddenly you just said 65, 70 million, so I was just wondering if anything's changed.
- Ronnie:** Nothing has changed.
- Nainesh:** That's all I wanted to know at this point of time, thank you very much sir.
- Moderator:** Our next question comes from Mr. Azral of Venus Capital.
- Azral:** My question has been answered, thank you.
- Ronnie:** Sorry?
- Moderator:** The participant's question has been answered it seems sir. Our next question comes from Ms. Sapna of SKS Securities.
- Sapna:** Good evening sir. I just wanted to understand the kind of EBITDA margins that you enjoy in the console gaming business?
- Ronald:** In the Console gaming business typically, it depends on how many units of the game are sold, so typically on a retail price of, for example, \$69, the company gets about \$30 minus the operating costs. So that's how typically it works, that's the range. The effective margin depends on how many units of the products get sold.
- Sapna:** And how do you see this business shaping up in say the next two years?

- Ronald:** I think if you have heard us earlier, or read about our acquisition earlier, we have a game called "WarDevil" that we are...
- Sapna:** Actually, that's exactly what I wanted to ask about.
- Ronald:** Yes, that's a game we are developing, which will be released in the beginning of 2009 or end of 2008. The breakeven quantity of that game is about 800,000 units for us. But we expect around 30 million units of PS3 to be in the market. So if one is to one, if every PS3 owner buys one unit, then we are talking about 30 million unit-sales. And if one out of five buys it, we are talking about 6 million unit sales. So, 800,000 is very, very safe. How many units we sell depend on, when we actually release the game.
- Sapna:** The price would be of what range?
- Ronald:** It will be a \$50, \$60 kind of pricing.
- Sapna:** For each unit?
- Ronald:** Yes. And we do expect about 2 million units to be sold.
- Sapna:** And this would happen in the end of 2008?
- Ronald:** Or the beginning of 2009.
- Sapna:** So this wouldn't reflect in the 2008...
- Ronald:** It would come in '08-'09 and '09-'10.
- Sapna:** Okay, thank you.
- Moderator:** Our next question comes from Mr. Sourabh of Kotak Equity.
- Sourabh:** Yeah, good afternoon to the management. Your consolidated numbers talk about allied services at 8.3 crores for the quarter, I wanted to understand what was Ignition's contribution in this at the revenue and also the EBIT level?
- Ronald:** Yes, Ignition, we acquired Ignition on 12th of March, so obviously 13th to 31st of March is consolidated in our books. We had a revenue of about 6 crores and EBITDA of about 2 crores coming into us.
- Sourabh:** Okay, this quarter has seen operating margins fall quite dramatically to around 2 ½%, what would be the

reasons for this and how do you see the margins shaping up in the next four quarters?

Ronnie: I think this is primarily because one of our movies, "Hatrack" didn't work well and that would be the dampener in the quarter. Other than that everything else has been very robust.

Ronald: And also in animation we didn't have deliveries during the quarter, the animation studio has been working on something which will be delivered in the first quarter, in the current year.

Sourabh: But what sort of levels do we see the margins going up in the next four quarters?

Amit: It completely depends upon the number of movies that will actually get into the overall system, but "Metro" is one big release that we are looking at in the next quarter, so that should drive the margins quite significantly.

Ronnie: And even "Namesake" has done very well for us in India and we might release home video in this.

Sourabh: So those numbers would show in the first quarter, presumably?

Ronnie: Yes.

Sourabh: And at the movie level, at the EBIT level what sort of margins would be acceptable, I mean 12% to 13% would be fair with you?

Ronnie: Yeah 15 is what we are really looking at.

Sourabh: All right, thanks.

Moderator: Our next question comes from Ms. Tanu of Quantum Assets Management.

Tanu: Hello.

Ronnie: Hi.

Tanu: Hi, well I was just looking at the earnings, the results statement and also analyzing how you are looking at launching 8 TV channels within the next 12 months. I wanted to understand, besides Bindaas and the movie channels what are the other channels going to be called?

- Ronnie:** I think out of that 8, the youth segment will see two or three. We have announced the World Cinema channel and to be honest right now we are bound with some confidentiality agreements with our potential strategic partners, so I don't think we are in a position to announce what we really want to do because we are very confident as a whole the 8 channels will form a very powerful bouquet.
- Tanu:** And the JV that you all have with Astro, is that just for Bindaas or?
- Ronnie:** It's only for Bindaas.
- Tanu:** And what exactly are the terms of the contract, like, who is going to do what. Is this financial, is this?
- Ronnie:** Management rests with us and it is a 50-50 JV with both parties putting money in equally.
- Tanu:** All right and lastly how are you looking at this space, the whole broadcasting space with NDTV launching its general entertainment channel and now INX Media, which is owned by Peter Mukherjee launching another 12 channels soon, so how exactly are you looking at competition?
- Ronnie:** This is a question that might take me an hour to answer, but I will try and do it in about three minutes, but basically in broadcasting I think as a company, we were poised to be really in broadcasting in 1995, I think we missed that curve at that particular point in time and now we don't want to miss it in 2006. Two, from a creative point of view, content point of view, if you look at Hungama, the reason it turned to be a number one channel is because it was a content success and whenever we have done content for ourselves, whether its on Doordarshan, in the south or for our own channel, it has always excelled. So we see ourselves very savvy in that process. Number three, there are two, three critical changes happening in the entire broadcast space today, the general entertainment channels to a certain extent are getting more fragmented and therefore there are possibilities of different winners emerging in that space today and distribution bouquets which cartels, such as Sony, Zee or Star had, are no longer relevant and valid in their exclusivity because TRAI regulations mandate must carry of channels. So distribution is no longer the prowess of two or three key people and can be as good on a start up basis.

- Tanu:** Okay, so if I understand correctly, for all these channels content will be yours?
- Ronnie:** Absolutely correct.
- Tanu:** Entirely right? And...
- Ronnie:** Well no, I think it is very fair that the people that we take on to run these broadcast channels should not be restricted to the fact that they have to buy all the content from UTV.
- Tanu:** All right, okay, fine. Thanks for now.
- Ronnie:** Thank you.
- Moderator:** Our next question comes from Mr. Vinay Baharia of Lotus India Mutual Funds.
- Vinay:** Hello, good evening. Sir I just wanted to understand you would depreciate or write off about 75% of the overall cost of the film on theatrical release, so 25% remains in your balance sheet, in the total films capital employed of 150 crores, how much of that is represented by the unamortized film content?
- Ronnie:** A very small amount because a fair amount of that is a lot of work in progress. "Namesake" investment of 3 million dollars, "I Think I Love My Wife" investment 7 million dollars, "Jodha Akbar" which will be another 5 to 6 million dollars, etc.
- Vinay:** Okay so it is predominantly WIP?
- Ronnie:** Almost all WIP.
- Vinay:** Okay, thank you.
- Moderator:** Our next question comes from Mr. Nishant of Kotak Mutual Fund.
- Nishant:** Good evening sir, I wanted to ask regarding the broadcasting space, what kind of time frame are you actually looking at with all these 8 channels being launched and what kind of CAPEX do you see going forward in the launching of these channels, because if I see the capital employed, the majority of the capital employed is right now in films which seem that the film is the key focus area, so has any investment been already done in this broadcasting space or...

Ronnie: Yeah, let me just answer the question, out of the 8 channels we see two of them launching between July and August of this year, which is just round the corner from that point of view and we do see at least 6 out of the 8 to 10 channels launching within a year from the July date. So between this July and next July we will see a bouquet pretty much established. Two, our distribution bouquet will launch with the launch of Bindaas and therefore we will be distributing our own channels and establishing that from day one. That's the second part. So, as far as capital employed is concerned, we are quite clear that a fair amount or major part of the amount will really come from strategic investors, that will come in for whom we are creating a very interesting broadcasting platform and not necessarily through UTV in that context for example in "Bindaas" we are launching off straight and Astro is paying for 50% of the equity. But as we go forward we will see substantially more coming from strategic partners.

Nishant: Okay, another question was regarding, in terms of long term plan, how do you really see the different elements panning out as in, how much percentage of your total revenue, lets say in two to three years time, you see coming from films, which probably is a very highly unpredictable zone.

Ronnie: Well, I think that it's a little difficult at this stage, given that in some of these growth can be non-linear, but if you were to look at a 1000-crore pie from that point of view, we are looking at about 37% or 40% coming from new media, about 40% coming from content, which is a combination of movies and television and about 25% coming from broadcasting.

Nishant: Okay, because what has been traditionally the problem with this space is that we have a high unpredictability, so if we can have the unpredictable area confined to lets say 25%, 30% and you have a slate of movies for one year or two year like a big range of movies, then we can...

Ronnie: Sir, I'd like to correct that right now, by next year we will hardly be only a movie production company. So I think that's really where we are heading.

Nishant: And in the New Media space, how scalable it is really, I think you talked about increasing the size of the animation studio of something.

- Ronald:** Yeah animation business is scalable; we are already in the process of scaling it up to 700 people. India Games, which is on mobile and online gaming, I am sure you know, that the story in India as far as growth prospects of mobile and online is concerned is huge and on console side we are playing in an 18 billion dollar market. So it depends on what kind of content we roll out, but the scalability is really huge, that's why we expect about 40% of our revenues in 2010 to come from New Media segment.
- Ronnie:** And as the lady just asked before and we did some quick calculations; just on the "WarDevil" game itself, you can do the numbers, you will know what contribution in '08-'09 can come from that.
- Nishant:** I believe, as far as New Media is concerned currently the revenues are actually coming from the animation space, which will be not that high margin a business as gaming and other businesses have been, so do we see these increasing ...
- Ronald:** Yeah it would, but animation is not low margin. You will see some increase and when "WarDevil" is released and games like that bigger games are released you will see some additional margins.
- Nishant:** Okay, that's all from my side, thanks very much.
- Ronnie:** Thank you.
- Moderator:** Thank you sir. There are no further questions. Now I hand over the floor to Mr. Girish Swar.
- Girish:** Thank you very much for participating in this call and I think all the questions were answered very well.
- Ronnie:** Thank you so much.
- Moderator:** Ladies and gentlemen this concludes the conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1.This document has been edited to improve readability.