



Movies • Broadcasting • Television • Interactive

## UTV Software Communications Limited

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INVESTOR CALL – APRIL 29, 2008  
RESULTS - QTR ENDED MARCH 31, 2008

**Moderator:**

Good morning ladies and gentlemen. Thank you for standing by. This is *Pallavi* the Moderator for your conference call today. Welcome to the post result conference call of *UTV Software Communications Ltd*, hosted by *Prabhudas Lilladher*. At this moment all participants are in a listen only mode. Later we will conduct a question and answer session. At that time if you have a question please press \* and 1. I would now like to turn the conference over to *Mr. Apurva Shah* from *Prabhudas Lilladher*. Please go ahead *Mr. Shah*.

**Apurva:**

Thank you moderator and welcome everyone to the Q4 earnings call of *UTV Software Communications Limited*. From the management team we have *Mr. Ronnie Screwala*, CEO, *Mr. G. Chandrashekar*, Chief Financial Officer, *Mr. Amit Banka*, VP Business Development and Strategy; we also have *Mr. Kevin Meyer*, Executive VP of Corporate Strategy of *Walt Disney & Co* with us. Without taking any more time I would like to hand over the call to Ronnie to give us the initial remarks on the quarter and the year and the future. Over to you sir.

**Ronnie:**

Thank you and good afternoon every body and thank you for joining in. I think that most of you have the earnings release in front of you so I can just summarize what we have done this quarter and take a few minutes on the whole year that has gone by and then just a minute or two to summarize on where we see ourselves going in our verticals as we go forward. I think that the fourth quarter has been an interesting one for us, as this quarter our interactive and gaming business has really been digested because *Indiagames* which we had formally acquired in December last year has recorded its first full-quarter revenues in this quarter. Outside of that, our publishing income from the gaming business has also been recorded and both of them in this quarter, from that point of view, have matured in investment. On the motion pictures business, I think that the high visibility for everybody was *Jodhaa Akbar* followed by *Race* which till date has been the two most successful movies of 2008. Having said that, I would like to state that *Race* was released theatrically only in the last seven days of the quarter in review so as per our policy we have recognized only a minimal top line of the first week of the net box office. The balance part of the theatrical revenue and all other right exploitation and pretty much most of the profits will come in Q1 as far as *Race* is concerned. And similarly, as far as *Jodhaa Akbar* is concerned, usually the movies stay in the theatre for about four or five weeks after which we to start our exploitation of

home video and TV rights but *Jodhaa Akbar*, both internationally and domestically, stayed very steady in the theatres for almost ten weeks and therefore on a tactical basis, we kind of shifted our exploitation of other rights which were scheduled six to eight weeks after the theatrical release to twelve weeks and fourteen weeks. So *Jodhaa* has recorded theatrical and other revenues in this quarter, so there is this spill over into the quarter one, which is the quarter of April, May, and June'08. Besides that, on a combined basis with our three verticals of Television, Interactive and Movies, I think this has been the single highest quarter in terms of top line for *UTV* at about Rs. 187 crores and that pretty much represents a good run rate as we go forward into the next year. For our segment wise contribution to topline, clearly movies was 55% in this quarter, television contributed for about 23% and gaming and interactive about 22%. And I would say that pretty much with the year gone by; we would continue to have similar kind of percentages as we go forward.

The key headlines that I would talk about really are, as we go forward into the next year, we see a lot of focus in each of our verticals. In this coming first quarter, the entire broadcasting business will be consolidated once we close the transaction of *UTV* owning 75% of the subsidiaries and at the same time in which the *Walt Disney Company* is going to invest 15% directly into the broadcasting entity. In movies, we have an aggressive slate going forward, if in this last year we have released about six to eight movies, we see that number almost doubling in this financial year, both in terms of slate and number of movies, as well as the level of revenues that we are looking at from the motion pictures business. In our interactive and gaming business, we also see the same double digit growth primarily because right now we see only one quarter of *Indiagames* recorded in Q4 which we will see almost on annualized basis next year. Outside of this, we have a good visibility on our publishing business in *Ignition* while our key intellectual property games actually get incubated for release in the pursuing next financial year which is in FY09-10. The television and air time sales business are in a steady growth mode and I think that we will record good and conservative growth on the air time sales part but I think we will be lot more aggressive in our TV content part where we are looking at one or two aggressive initiatives from that point of view. We are pleased to report that in this quarter pretty much outside of the two *Bindass* channels which we had launched in the previous quarter, we have also launched our *World Movies* channel and our *UTV Movies*, the Hindi movies channel. So I think that has created a very unique bouquet. Our focus has been to look at two or three very interesting spaces, one is the youth and second is the movies space because we believe that is the vertical in which we have taken a very strong position with respect to production. So you can see that literally, of the four channels that we are currently offering, it seems that three of them actually have a strong connect with motion pictures. With *Bindass* being best of

Hollywood movies dubbed in a bindass manner and *World Movies* being an international cinema channel and the *UTV movies* being the Hindi movie channel, which we are very strong at in terms of our titles, I believe that we have a promising year ahead. I think that we have made very strong strides, by being in a strong position in movies which we have strengthened in terms of market share this year and I think that we are very unique in our combination. I think that is very unique to look at content the way we do, both in television and movies, and to add to that, the gaming portfolio which has the world canvas with a substantial part of revenues coming from outside of India. And then we have a very self approach in our broadcasting business, where we have stayed out of the general entertainment space because we strongly believe that it is a very high investment space and also we don't see any real clear winners emerging in the next three to five year play. They all might be survivors but there are no clear winners. And I think for the outlay of the channel entertainment we have launched four specialty channels in a very different sense and of course our anchor channel would be our Hindi movie channel which is *UTV Movies*. So I think that is pretty much the summary and the earnings are in front of you and I think we will be now happy take it to the Q&A. Thank you.

**Moderator:**

Thank you sir. Our first question comes from Mr. Ritesh from *Dolat Capital*. Please proceed sir.

**Ritesh:**

Good afternoon sir and congratulations on the good numbers. On the AIM Company, the reported revenues are about 10 million dollars for the quarter and in the movies segment in the *UTV* results we have reported Rs. 110 crores so where is the difference coming?

**Ronnie:**

Primarily there are also businesses that we are doing with the movies company which are given out to the *UTV India* division and in this particular forum we have done a fair amount of syndication also, syndication of back catalogue, syndication of acquisition also add to the entire portfolio of the movies product, this is higher than the normal ratio otherwise it is pretty much the PLC which will represent the bulk of the motion pictures.

**Ritesh:**

So is it like the *Welcome* and *Race* syndication that we have done through the Indian company and not through the AIM Company?

**Ronnie:**

No, it would be more in terms of the overall live acquisitions for some of our channels and also from the *Miramax* library and things like that.

**Ritesh:**

Ok and the current capital employed in movies is Rs. 400 crores, so where do we see it going forward in say six to twelve months down the line?

**Ronnie:**

Let me just comment on the capital employed, basically in the motion picture industry you are looking at a fair amount of

capital employed of about 50 to 60% going for the current year slate which is 08-09 and almost 40% is for the 09-10 slate. I think the good news is that we are forward looking as we already have a strong 09-10 slate. And therefore the working capital will be blocked in that and the fact that we have some investment in some Hollywood movies where obviously the investments are much higher than our movies.

**Ritesh:**

Ok so where do we see this, say by FY10?

**Ronnie:**

Well, actually we see that if it is at Rs. 400 crores now, we see an add-on of about Rs. 200 crores and stabilizing at that, even for us to look at the triple digit growth in the next two years. So then it's merely with the working capital in there for us to turn around.

**Ritesh:**

Ok with about Rs. 600 - 650 crores, we see that now the ball would be rolling for a considerable time.

**Ronnie:**

That is correct.

**Ritesh:**

Ok and what would be the current investment in the broadcasting venture as of now?

**Ronnie:**

We have put in around Rs. 150 crores into this business and once the transaction is complete with Disney, then they will be putting in Rs. 120 crores directly and we are putting in another Rs. 90-100 crores and making that investment for about Rs. 240 crores which is where it is going to be capped. The total outlay that is going into the broadcast business is going to be around Rs. 360 crores

**Ritesh:**

That is all from me thank you very much.

**Ronnie:**

Thank you.

**Moderator:**

Thank you very much sir and next on line we have *Mr. Dipen*, from *Dipen Mehta Shares & Stock Broking*. Please go ahead with your question.

**Dipen:**

I just want to understand that while we had about Rs. 110 crores of revenues from the movie business, yet the segment shows only a profit of Rs. 6 crores. So what is the reason for such a sharp dip in the segment margin?

**Ronnie:**

Yeah. I think you will have to look at this particular one primarily because as I said, with *Race* for example, we have booked zero profits in Q4 and all of it will come into the Q1 of the coming financial year i.e. April, May or June '08 quarter but as per our accounting policy when we start our revenue recognizing we have to expense and amortize cost also. In *Jodhaa Akbar* you will actually find that our satellite rights which is a substantial part of clean profit as compared to the theatrical where there are deductions for prints and publicity; that clean profit concept will also flow in only in April, May and June'08. And again we sold it later only because of the longer theatrical stay of the movie in theatres as explained earlier.

- Dipen:** So what is the cost of *Race* which has been expensed out and for which no revenue has come?
- Ronnie:** Around 16 crores has been expensed out and on that, I think about 16 crores is in the top line so basically we have zero margin there in that context is how we would look at that.
- Dipen:** Ok but here I mean in the Rs. 110 crores, if you would just give us the break up, Rs. 16 crores would be *Race*, *Jodhaa Akbar* would be how much?
- Ronnie:** *Jodhaa Akbar* would be about Rs. 40 crores and the balance is coming from the syndication revenues.
- Dipen:** And *Taare Zameen Par* has not come in this quarter?
- Ronnie:** That is come in at about Rs. 7 crores in this quarter.
- Dipen:** But yet I imagine it doesn't appear to be what one would have expected. It is a fact that *Race* was not a loss which means that *Jodhaa Akbar* and all others were?
- Ronnie:** In *Jodhaa Akbar* what we did is expensed our entire print and publicity.
- Dipen:** But *Race* did not have a negative contribution.
- Ronnie:** That's right it has zero contribution.
- Dipen:** Ok, zero contribution. If you take out the Rs. 16 crores from the top line which means that you are still left with?
- Ronnie:** Rs. 84 crores.
- Dipen:** Yeah 84. No 94 actually or so and in 94 we made about six crores and what is made on *Jodhaa Akbar* would go to the next quarter.
- Ronnie:** Most of it will be in the profit part because if you look at theatricals and you look at your gross and you net it out and you have cut all your cost of productions plus publicity and print so if we look at theatricals only, it is always very heavy ended on cost part because essentially you cough up your entire promotion and publicity which actually has a cascading effect on the home video and television but it is never carried forward as it is all expensed out in your first as the movie releases.
- Dipen:** Ok and also just to confirm that for the first quarter we don't have any blockbuster release, right?
- Ronnie:** Of course. For April, May, June'08 we have no blockbuster releases.
- Dipen:** So that means that we...

- Ronnie:** In a sense, *Race* has been our block buster for our April May and June.
- Dipen:** Ok so some profit would come from....
- Ronnie:** From *Jodhaa's* satellite rights.
- Dipen:** Also we have got some negative goodwill on consolidation in the *Isle of Man Company* and we have got investment in terms of 2.3 million USD, investment income would be the interest on the money that we have raised, right or...?
- Chandrashekar:** Basically we have invested some part in interest bearing securities which we get month on month and substantial part has gone into mutual funds and you recognize that income only on realization.
- Dipen:** And negative good will, will you please explain about the 2.8 million USD?
- Ronnie:** Yes. The *Isle Of Man Company* invested in the existing company i.e. the Mauritius company which is the operating one, where all the substantial profits and investment happened at par so the value flow which happens back to the *Isle of Man Company* is negative goodwill. Meaning if the Isle of Man acquired the company at 100 rupees whereas the value is 200, the 100 becomes negative goodwill.
- Dipen:** I have some more questions for later so thank you and all the best.
- Ronnie:** Thank you very much.
- Moderator:** Next on line we have *Mr. Sachin*, from *Wealth Managers*, please go ahead with your question.
- Sachin:** This is regarding the recent fundraising for the global broadcasting entity, the total amount raised is around Rs. 400 crores, so are we planning to increase the number of channels of earlier plan of fourteen or is it still the fourteen you are looking for?
- Ronnie:** We are not looking at 14 channels and I don't think that we ever said 14 channels in the past, we have an agenda of four and when we had four going to six it was regional versions of *Bindass* and *Bindass* movies in Tamil which we are not yet ready to go forward with. So we have just reached four. So at this point of time it is simply *Bindass* and *Bindass Movies*, *World Movies* and *UTV Movies*, the Hindi movie channel.
- Sachin:** The next question is what is the role of *Disney* at the broadcasting level?
- Ronnie:** Well eventually as we look at their verticals, in many of their aspects we see a great amount of synergy and similarity from that point of view, they have world wide broadcast in both general entertainment space and if you look at the ABC

network and at the entire four to fourteen segment in Disney channels and some of their broader segments which is in the family network so I think that their interests in some of the large countries outside of US has always been to look at the broadcasting outside of where they are. So that is the first initial point.

**Kevin:** I think that's well said Ronnie, generally speaking or in terms of (not clear) and it is in *UTV* under *Ronnie's* leadership and we are very pleased that we are here with you in this transaction and the major portion or the asset we want to invest in is the broadcasting business and we did invest in that through the monies in *UTV*, directly involved and indirectly as well. As Ronnie points out, I think that we have a large degree of synergies in terms of our operational expertise to help with in India. So we are very pleased with the overall transaction and to say that we are involved in the broadcasting as well.

**Sachin:** Ok.

**Moderator:** Thank you very much sir and we have the next question from *Mr. Abneesh Roy* from *Religare Securities*. Please go ahead with your questions please.

**Abneesh:** Could you shed some light on the business agreement which we have with *Business Standard* regarding content sharing for *UTVi*, what kind of money are we paying for that?

**Ronnie:** We can do that offline because this basically is an editorial agreement that the channel has with them and nothing more than that.

**Abneesh:** Why has there been such a low key launch for the *UTVi*?

**Ronnie:** No, we haven't really launched it; we are just getting it distributed. We normally start doing a publicity campaign after we are confident that more than 70% of the country is connected and at the moment we have just had a soft launch but you will see publicity campaigns once we are confident that we are fully distributed.

**Abneesh:** Ok and thanks.

**Moderator:** Thank you sir and now we have the next question from *Mr. Ram Patnaik* from *Religare securities*.

**Ram:** Sir this is in continuation to the movie business basically, we have talked about *Race* which had a Rs. 16 crores top line and Rs. 16 crores cost in this quarter, so how about *Jodhaa Akbar* you said Rs. 40 crores comes from the revenue part, what is the cost that has gone into it in this quarter sir where *Jodhaa Akbar* is concerned?

**Ronnie:** That should be around Rs. 33 crores.

- Ram:** Ok and you have about Rs. 7 crores coming in from *Taare Zameen Par* so how much of the cost might have gone into that?
- Ronnie:** *Taare Zameen Par* again would be at ten crore cost at their seven crore revenue book it would be pretty much at the flat even and the DVD actually *Aamir Khan* being the perfectionist that he is with the DVD of *Lagaan* releasing almost five years after the release the movie, *Taare Zameen Par* again like *Jodhaa* also played in the theaters for very long and therefore we are looking at the DVD with a lot of special features.
- Ram:** Ok but that would leave us with a 37 crores of syndication and revenues, if I am not mistaken is it distribution, what exactly is it?
- Ronnie:** Syndication is acquiring the world satellite rights of movies for our satellite channels.
- Ram:** And what cost might have gone into the syndication?
- Ronnie:** It is with 5 to 3% margins so the cost in revenue would be about 5 to 7% margin.
- Ram:** Ok and going forward what kinds of margin can you expect from movie business?
- Ronnie:** I think that below 25 or 30% we will be disappointed.
- Ram:** Ok and what about the television and interactive business?
- Ronnie:** In Television I think it will be in 15 to 20% range and interactive will be in 25 to 30%.
- Ram:** Alright sir and thank you so much.
- Moderator:** Thanks sir and our next question comes from *Mr. Saurabh* from *Kotak Securities* please go ahead with your question.
- Saurabh:** Just wanted some clarity in the broadcasting business, when do you plan to consolidate the financials of the broadcasting business and what sort of losses are we looking at from that part of the business?
- Ronnie:** We are looking at consolidating, I would say, sometime in May, which is pretty much when we close this transaction which could be within a week or two or three; for anything as less as ten days or longer than thirty days from now, from that period of the year we will consolidate it. We are therefore looking at the broadcasting business contributing Rs. 100 crores plus in terms of top line during the year. Obviously we need to invest in more and we see a consolidated negative impact of about Rs. 55 to 60 crores and yet given our three other businesses we see that we should be holding firm at very profitable levels as we go forward. On an offline basis we have to analyze the four verticals and you will actually see very clearly that the diversified model has really paid off very

well. Then you've got three verticals delivering profits and hence supporting a division in investment mode.

**Saurabh:** Is the Rs. 55-60 crores number that which you have mentioned in proportion to the 75% stake or is it an absolute number?

**Ronnie:** Absolute number ...yes that is 100% absolute amount and yes you were right that minority gets stripped by Rs. 12.5 crores which goes out of there.

**Saurabh:** So basically Rs. 40 crores out of a loss is what you can expect in the Q1. Ok and just another question you quoted some around Rs. 52 crores revenue in the interactive segment can you please give me the break up?

**Ronnie:** The bulk of that is coming from our publishing business in *Ignition* and I'd say about Rs. 7-8 crores from the balance from *Indiagames*.

**Saurabh:** Ok and *Indiagames* has been consolidated for the whole quarter, right?

**Ronnie:** It is consolidated for the whole quarter and it was closed in third week of December'07.

**Saurabh:** Ok right. Thank you.

**Moderator:** Thank you sir and now we have a question from *Mr. Ankit* from *ICICI Direct*. Please go ahead with your question.

**Ankit:** Sir a question on interactive gaming for the next quarter and next couple of quarters, how much development can we see in *Ignition* and are there any blockbuster games coming?

**Ronnie:** We've got three large games in which we have made an investment of about 15 to 20 million USD per game but all three of them you will see only in 09 -10 not in 08-09. Having said that, *Ignition* has two different divisions, one is the publishing division where we buy, acquire outside rights and reversion them and then distribute them either in Europe, UK and USA and in that we see at least a doubling of growth from our this year's topline.

**Ankit:** And what about *Indiagames*?

**Ronnie:** In *Indiagames* if you see a full year I think it is fair to assume that on a conservative basis Rs. 8 crore is a good run rate for them and on annualized basis that would be a minimum of Rs. 32 crores going up to about Rs. 40 crores in contribution.

**Ankit:** And how much margin can we expect in *Indiagames*?

**Ronnie:** I think that on the mobile business we have about 20% margin, having said that, I would like to caveat that we are also aggressively investing in *Games On Demand* which is a online site the first of its kind in India and which will have a

subscriber base. Presently we are enjoying about eleven thousand people who subscribe to it right now and we are hoping by the end of the year that we would have about 75 to 90 thousand subscribers. When we do that we would be having a fair amount of investment picking those subscriber's bases and retaining them with prizes and gifts as well as advertising and promotions to do that. So the mobile business is about 20% margins but on the consolidated basis in *Indiagames* that might get dampened with the investment we make in the value creation of the online site.

**Ankit:**

Thank you sir.

**Moderator:**

Thank you very much and we have some follow up question from *Mr. Dipen Mehta*, from *Dipen Mehta Shares & Stock Broking*, please go ahead sir.

**Dipen:**

In your guidance for the FY09 and FY10, you had suggested I think something about Rs. 280 crores revenue from interactive gaming for FY09, right?

**Ronnie:**

I would like to say that at this point on revenue basis we are preparing and looking at a consolidated over all close to 85% growth.

**Dipen:**

And on the PAT basis?

**Ronnie:**

On PAT basis we will see some growth, if you look at it on an apple to apple basis the growth from this year clear to the next year is at least 35% to 40% growth. However, if you consolidate that with broadcasting we are still balancing as far as that is concerned, there will be some deferred tax asset that we may look at because of our accumulated losses which may add in and sweeten up the over all PAT.

**Dipen:**

This 35 to 40% what you are looking at, is the core business, excluding broadcasting?

**Ronnie:**

Yes.

**Dipen:**

And then the broadcasting will come in with its 35 to 40 crores kind of negative and then you would add some deferred tax on that?

**Ronnie:**

Deferred tax will kind of negate that 35 crores totally on impact, neutralize it totally.

**Dipen:**

No, you are saying that before the net from the broadcasting at the end of the year at the level...

**Ronnie:**

At that level we would be break even primarily because of the deferred tax probably; I don't think that anyone would have that credible situation that we would be investing in four channels and having a PAT neutral but it would be having a 40 crore incomes in negative at the PBT level at which the PAT level will be neutralized because of the deferred tax.

- Dipen:** Ok and another is that why are we looking at 35 – 40% at PAT come to think of it as sales is going at 80 to 90%?
- Ronnie:** No, I think overall growth there if you look at that is split into three parts where we are looking at three or four different activities. Number one you will see that we have got in motion pictures you will see the good growth we will be looking at. In interactive we have a fair amount of development that we are doing in the new games outside of the publishing activity. In *Indiagames* for examples we have got the online subscription model and in television we want to ramp it up substantially so we have certain amounts of investments that are also going. On the conservative basis I would say that the overall growth can be seen.
- Dipen:** Ok. Now we had *The Namesake* which had fabulous success but I believe that the revenues for that also is yet to accrue in FY09?
- Ronnie:** The Hollywood films cycle is as follows, basically you have the theatrical release which pretty much covers the publicity and prints expense and sometimes it has an overflow on the cost of production. Then the DVD cycles start about six months later and in this case it was about eight months later because it was not there in the release date world wide and Hollywood studios don't release their home videos until they have pretty much completed their theatrical round world wide. Therefore the key profits that come out of these movies is substantially info media and television, it is between them they constitute about 40% and 30% respectively of the revenue as much as 20% that comes out of the theatricals which is quite different from our Indian model from that point of view. So in that way if you look at the cumulative part our cash inflow is flowing is 08-09 over time.
- Dipen:** And *The Namesake*.
- Ronnie:** and also *I Think I Love My Wife*.
- Dipen:** and *The Happening* would be then on...
- Ronnie:** *The Happening* is releasing on June 13<sup>th</sup> of 2008 and we really feel that it will come in 09-10, definitely not anything in 08-09.
- Dipen:** Any estimate of what kind of revenues should come because there should be a clean profit in *Namesake*, right? in whatever we are getting in FY08-09
- Ronnie:** I don't know what you mean by clean profit.
- Dipen:** what about the top line because the cost is not in our books, right?
- Ronnie:** You mean to say that the cost is not there in the books?
- Dipen:** In *The Namesake* we are participating as a..

- Ronnie:** No. We have world wide rights in perpetuity with *Fox*, we are co- producers and not distributors.
- Dipen:** Then as far as *The Namesake* and *I think I love my wife* are concerned, what has been the P&L impact? You mean there is no profit or no revenue?
- Ronnie:** Yes. I mean no profit or nothing in the books.
- Dipen:** From FY08 and FY09 in the current year therefore you will book what?
- Ronnie:** We will book the revenues and we will expense out the proportionate costs depending on the rights and we will do that and rest is profit.
- Dipen:** I mean what is the profit sharing ratio with *Fox*?
- Ronnie:** We have this in equal parts world wide; we are one third of investors in the movie along with the Fox and the Japanese co-producer.....so we will use the one third...
- Dipen:** So you will have one third revenue and one third expense and the balance will be profit. So what do you expect that one third of our share to be?
- Ronnie:** Broadly our internal working shows that out of our 3 million USD investments, we should be getting profit about 1.7 to 1.8 million USD after they come out.
- Dipen:** Ok thank you.
- Moderator:** Thank you sir and our next question comes from *Mr. Anand Gupta* from *SBI Mutual Funds*. Please go ahead sir
- Anand:** Good evening and my query is on accounting policy for amortizing movies cost. Are we amortizing 60% of the movies which are being released in the last financial year 2008?
- Ronnie:** That is correct .
- Anand:** So 40% will be amortized in the ongoing year
- Ronnie:** Yes that is correct but it is sequence according to the right exploitation also.
- Anand:** Ok so for *The Namesake* and also *I Think I Love My Wife* they won't be any expense....you just said that there is no top line or EBITDA for *The Namesake* and *I Think I Love My Wife*.
- Ronnie:** I just pointed out that ...when the revenue started getting recognized we immediately stopped taxing it and riding it out.
- Anand:** So no milestone is achieved as of now so that is why revenues have not been recognized?

- Ronnie:** That is right and since we do not release these movies ourselves, the milestones are achieved only when Fox pays us back because we are standing behind them.
- Anand:** And you said that 20 to 35 % expectation and margins in the movie business, this is after considering the 60% of the amortization?
- Ronnie:** No it is not that.....it is not a clean cut evaluation that I can give you because again it depends...we amortize and then we amortize based on each right. So when we look at our feasibility, we look at the theatricals and then we look at the home video and then allocate revenue streams and costs based on that; so it can't be a straight line answer as far as that is concerned.
- Anand:** Ok one last question here, you sense that there is some risk of crowding out happening, we see, lot of corporate balance sheets you know pumping money into the movies we just saw that the release of *Jodhaa Akbar* got rescheduled where earlier the thoughts were to release it during the diwali time but there were already two big movies so I guess that is why there was a rethinking and with so much investment happening in Bollywood movies across the balance sheet if I count 3-4 player, I think that balance sheets have gone up by three times in last 18 months, do you see a risk of crowding out where there are more number of movies than the appetite of the Indian audience?
- Ronnie:** See I think at the top level of the big movies you won't see more than 12 to 14 of them a year. Now you might find in one month three of them and in one or two months none at all. So by and large you are looking at about one a month, so for the big movies if you just take about five to six stars and unfortunately we have all male stars as there is not super duper hit with any female star so in that context you will find that if you look at the top five heroes they are all doing one film or three films this year. *Shahrukh* is doing one and *Hrithik* is doing none and *Aamir* is doing one and *Salman* is doing two and *Akshay* is doing three. If you just take that as your law of averages there isn't that much of crowding happening. Then when you are look at differentiated content from that point of view, which is where we have really done well, getting a right release date is as important for a movie like *Metro* or *Khosla ka Ghosla*, *Jodhaa* or *Race*; and *Jodhaa* was released in the theaters in February because we had primarily fixed that. So we could have released that in November but we had almost 20% of trajectory of growth because we released that in February.
- Anand:** Ok and going forward in your movie pipeline will every movie be evaluated case by case basis in terms of what rights to be retained by *UTV* and the equivalent risk.
- Ronnie:** Always, it is exactly the way it is always done.
- Anand:** Thank you very much.

- Moderator:** Thank you very much sir and our next question comes from *Ms. Madhu Chanda* from *Kotak PMS*, please go ahead.
- Madhu:** Yeah I have a couple of questions as you indicated in your quarter 4 numbers on the interactive side, *Indiagames* contributed Rs. 8 crores that gives a Rs. 44 crore to *Ignition*, right? And you also mentioned about the acceleration of run rate so what kind of run rate should one be expecting from this going forward in 09.
- Ronnie:** I will see that *Indiagames* is having a stable run rate in the quarter but we would see *Ignition* more on the annual basis, we may not have been that good in Q1 and Q2 but in Q3 and Q4 we did make up for that. But basically if you are looking at *Ignition* on an annualized basis we will be double of their annualized FY07-08.
- Madhu:** Ok that is for *Indiagames*.
- Ronnie:** That is for *Ignition* and for *Indiagames* you will see a steady run rate as far as we are concerned.
- Madhu:** So *Ignition*...if you could give us a rough sense of what was the full year top line for FY08?
- Ronnie:** It was about 8 million pounds that is about...
- Madhu:** Ok that I will calculate. My second question is on the television part of the business where you are getting into content business in a big way now. So what kind of traction do you see from there?
- Ronnie:** I'm not at liberty to disclose one of the key strategies at this point of time but all I can say is that our airtime model is good and steady and we are looking at a good growth of around 20-25% there and we have got a good and interesting leadership position there. And in our content business outside of the content we are creating, we also have a broadcasting channel to be boost the business and we are looking at one or two innovative models in this space to actually look at consolidation.
- Madhu:** Ok and just one last question on the guidance you have overall guided for a 90% of a growth in top line if you could just give us a rough sense on what kind of a growth you see in these four broad verticals?
- Ronnie:** yeah I think.....basically (from a revenue contribution perspective), we see 45% coming from movies, 20% from our television content and 20% from interactive and 15% from broadcasting.
- Madhu:** And on going forward would you like to give us any sense of what kind of plans you have for FY10 for these four verticals. Where do you see them and how do they pan out as per your business plans?

**Ronnie:**

I think that all I can say is couple of things in a broad sense and this is in the macro sense and not to be taken otherwise as I said that this year we have seen a 150% growth over the last year so I think that sort of puts forward the rate and the pace at which the organization is looking at growing and the management approach to how we want to grow. We are now taking that 150% growth and maintaining that triple digit growth for the next year also. At the end of that year where will we be, we will be at a good and interesting space in our broadcasting having invested in a full year of operation. So it is anybody's guess as to where that can go once we have got four channels establishing and meeting their target to take them to the next level. Obviously with the core management team that we have and with the interesting verticals that we have got there and the strategic alliance we got with the *Walt Disney Company*.

If you look at the gaming part of the business as I have mentioned and we have maintained that our real glory comes in our publishing business and from our development business with all our three big title games releasing in 09-10. So you will see some significant changes in our gaming business. I think in movies we are very clear on the core strength and we will not let that go down and we will continue to maintain absolute control on market leadership. Four years back or even one and half years back I can recall what it was called as *Yash Raj* versus *UTV* and in the last two quarters I have never heard any of the studio business mentioning *Yash Raj Films* in any part of benchmarking. I think we are very clear on how we want to maintain leadership and protect that in a competitive manner in which ever way we can. So we feel that growth, momentum and movies maintaining, we have different kinds of growth models like *Ignition* that I have explained to you. And now lastly in television I think if we achieved the growth that we were looking at on a steady basis and traction this year certainly good traction based for us on the year after.

**Madhu:**

So can we expect the four verticals easing out a little more by say 2011?

**Ronnie:**

I accept the very clear point which you are making and yes I think that the 55% dependency on the motion pictures that we are talking about does not mean that motion pictures will not degrow but with 45% motion pictures the absolute amount of the business will not degrow rather percentage or the dependency will come down, which means that interactive and broadcasting and television will grow substantially.

**Madhu:**

Ok thanks a lot.

**Moderator:**

Ok thank you ma'am. Now the next follow up question comes from *Mr. Sachin* from *Wealth Managers*. Please go ahead sir

- Sachin:** This is regarding the open offer which the company has made to the public, how will you bifurcate between the *Disney* and the existing promoters?
- Ronnie:** Firstly the open offer is not by the company it is by the *Walt Disney Company* and it is not by *UTV*. The open offer is by the *Walt Disney Company* and the promoters and the *Walt Disney Company* are persons acting in concert so essentially the *Walt Disney Company* is spear heading and front lining the open offer.
- Sachin:** My next question is you had views about the planning of 100 million USD in ADR and GDR, so are we still looking for this?
- Ronnie:** No, I think with the total transactions between the promoters and the *Walt Disney Company* has been totaling in 330 million USD so we would not be obviously looking for any further fund raising.
- Sachin:** This is regarding the interactive business, is the expected release of *Wardevil* in the H1FY09 on track? And have you finalized the retail size of the game?
- Ronnie:** It will be in FY09-10 whether it will be in H1 or Q3 instead of Q2, it may move by quarter as it is very difficult at this stage to estimate with any certainty. But it will be in that year, we do not know where the *PS3* goes and it is growing at a good level, it is now at a 7.5 level of ten million penetration world wide. And we expect by the time we release the game population of the *PS3* hardware will be close to 22 million. At today's context of the normal pricing of the game like that would be sixty dollars but I have no comment as to what it would be year and half from now.
- Sachin:** Last question on the TV content, within the TV content what is the proportion of the commission and the air time sales
- Ronnie:** At this point of time if you are looking at the year ending of March 08, it would be about three is to one ratio, 75% air time sales and 25% commission but I think in the next year we would be looking for the growth that would be around 60-40% airtime sales to commission.
- Sachin:** Ok at what rate we are commanding in the commission and the sponsored category?
- Ronnie:** That is a very subjective question I mean I am not quite sure as it really depends as different channels pay different rates, different channels pay different rates for different shows which are dailies versus weeklies, reality versus drama, scripted versus non-scripted. So it is difficult to give a specific answer.
- Sachin:** It depends from channel to channel.
- Ronnie:** As much would depend on the show and the frequency of the show and the genre of the show.

- Sachin:** Thank you.
- Moderator:** Thank you for the question sir. Can we take one last question please? The next question comes from *Mr. Anand Gupta* from *SBI Mutual Funds*. Please go ahead sir.
- Anand:** Here, on the open offer what are the revised dates?
- Ronnie:** We are waiting for the *SEBI* approval as it is very difficult to give you our dates as it depends on the *SEBI*.
- Anand:** Ok thank you.
- Moderator:** Thank you *Mr. Mehta*. As there are no more questions I would now like to hand over the conference to *Mr. Mihir Shah*. Please go ahead sir.
- Mihir:** Thank you everyone for participating on the conference call and thanks to the management for giving us the opportunity to host the call. I wish you all the very best.
- Ronnie:** Thank you.

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