

Operator

Ladies and gentlemen, good day and welcome to the Zee Entertainment Enterprises Limited Q4 FY 2012 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Kawaljit Singh from Zee Entertainment Enterprises Limited. Thank you, and over to you sir.

Kawaljit Singh, Senior Manager, Corporate Strategy and Business Development

Thank you Marina. Ladies and gentlemen, thank you for joining us today. This conference call has been organized to update our investors on the Company's performance in the fourth quarter of fiscal 2012, and to share with you the outlook of the Management of Zee Entertainment Enterprises Limited.

We do hope that you have had the chance to go through the earnings release and the results, both of which have been uploaded on our corporate website, zeetelevision.com. To discuss the results and performance, joining me today is Mr.

We will start with a brief statement from Mr. Goenka on the fourth quarter performance. And we'll then open the discussion for questions and answers. I would like to remind everybody that anything we say during this call that refers to our outlook for the future is a forward-looking statement and must be taken in the context of the risk that we face.

We would also like to add that this call is purely for our analysts and investors. And if there are any media companies on the call, we request them to please disconnect.

I now request Mr. Goenka to address the audience.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you Kawaljit. I would like to welcome everybody to this call. And I appreciate you are joining us for the discussion on the results of the last quarter of fiscal 2012. Let's begin with the details of some of the key financials of the quarter focusing on the financial performance.

Z's advertising revenues during the quarter were Rs. 4.15 billion showing a decline of 12% year-on-year. In the corresponding quarter last fiscal we had more cricket properties in the sports business which resulted in a better advertising revenues. Advertising revenues on the non-sports business have increased though marginally. This is reflecting on the overall weakness in the advertising spend of the industry.

The total subscription revenues for the quarter were Rs. 4.02 billion registering an increase of 30% over the corresponding quarter last fiscal. During the quarter domestic subscription revenue stood at Rs. 2.97 billion while international subscription revenues were Rs. 1.05 billion. Domestic subscription revenues were not comparable with the previous year's numbers because Q4 2012 numbers included amount of Rs.

506 million representing 50% share of net revenues of MediaPro, when consolidated under the joint venture accounting.

This amount of Rs. 506 million considered in this quarter pertains to nine months period from July 2011 to March 2012. Subscription revenues for the quarter from international operations were up by 1% quarter-on-quarter from Rs.

1.04 billion in Q3 2012 to Rs. 1.05 billion in Q4 2012. On the cost front programing operating cost in the quarter were Rs.

4.24 billion as compared to Rs. 3.71 billion in the corresponding quarter last fiscal an increase of 14% year-on-year. Employee cost has gone down by 6% over the corresponding period last fiscal.

Selling and other expenses in the quarter were Rs. 2.09 billion as compared to 1.21 billion in the corresponding period last fiscal. Employee cost and selling and other expenses for quarter are not comparable to the corresponding quarter of the last fiscal because Q4 2012 numbers include costs on account a joint venture accounting of MediaPro for a period July 2011 to March 2012.

Total cost incurred by the company in this quarter were Rs. 7.09 billion an increase of 24% over the corresponding period last fiscal. During the quarter the company's operating profit was Rs. 1.6 billion the operating margin for the quarter was 18%. The contraction in margin is due to the higher investments in content and marketing to build the business.

Excluding sports business, the EBITDA margin stood at 30%. Profit after tax for the quarter stood at 1.63 billion representing a healthy PAT margin of 19%. We continue to invest in sports with the medium to long-term perspective. We do expect losses to continue in the sports business some more time to come, but we are hopeful of seeing much more improved performance

compared to fiscal 2013.

I would now like to cover the business performance. During the quarter Zee TV showed significant rise in GRPs averaging to that 196 GRPs up from 158 in the third quarter recording a relative share of 18.7%. The performance was better and the Weekday Prime Time band where Zee TV recorded a relative share of 19.7%. The channel delivered a weekly average of 16 shows among the 100 shows during the quarter led by top-rated fiction shows like Pavitra Rishta, Yahan Main Ghar Ghar Kheli, and Hitler Didi and the non-fiction shows Dance India Dance Season 3.

Zee TV launched Punar Vivah in this quarter. The key shows to be launched in the forthcoming quarter include Phir Subah Hogi, Dance India Dance Lil Masters and Sapne Suhane Ladakpan Ke.

The network's Hindi movie channel, Zee Cinema, averaged 131 GRPs during the quarter. The key properties of the channel during the quarter were Happy New Bollywood Film Festival and Zee Cine Awards Film Festival. The forthcoming quarter will see the launch of properties like B Se Big B, Dopahar Zee Cinema Par Film Festival and premiere of Agneepath.

Zee Marathi delivered 174 GRPs during the quarter, recording a relative share of 29% with 12 shows in the top 50 shows. The top show in the quarter were Eka Lagnachi Dusri Goshta, Pinjara, Foo Bai Foo. The quarter saw the launch of fresh and appealing shows like Eka Lagnachi Dusri Goshta, Uncha Maza Zoka and Madhali Sutti.

Zee Bangla delivered an average of 466 GRPs in the quarter ranking a clear second in the Bangla GEC genre recording a relative share of 37.7%. Also Zee Bangla was the number one channel in digital markets during the quarter. Rashi, Keya Patar Nouko, Didi No.1, Mirakkel Akkel Challenger 6 were the top rated shows during the quarter.

Zee Telegu averaged 317 GRPs during the quarter, recording a relative share of 18.2% and ranking number one in prime time non-fiction Monday to Friday. Chinna Kodalu, Muddubidda and Pasupu Kumkuma was the top fiction shows on the channel during the quarter.

Chittam Chittam Prayachittam and Luckku Kickku were the top two rated non-fiction shows during the quarter or across all Telugu channels. It also launched a new non-fiction show Neeku Nenu Naaku Nuvvu in the quarter which opened with a very good viewership rating. Zee Telugu also received three Nandi TV awards awarded by the Government of Andhra Pradesh.

Zee Kannada averaged 254 GRPs during the quarter recording a relative share of 19%, driven by popular shows like Radha Kalayana, Parvathi Parameshwara, Panduranga Vittala and Yariguntu

Yarigilla.

This quarter also saw the telecast of the first edition of Zee Kutumba Awards, an award ceremony held to honor the excellence of artists contributing to the serials, reality shows and other programs of Zee Kannada.

The key properties on our Sports channel bouquet during the quarter included telecast of India vs South Africa T-20 match, Pakistan vs England series, Federation of International Hockey '12 Olympic Qualifiers, World Wrestling Exhibition continues to be a strong property attracting audiences as well as advertisers. The forthcoming quarters would see the telecast of cricketing events like West Indies vs New Zealand series and UEFA Champions League.

The sports business revenues in the fourth quarter of Fiscal 2012 were Rs. 1.28 billion, while cost incurred in this quarter Rs. 1.87 billion. This quarter also saw the launch of Ten Golf, a dedicated 24-hours Golf Channel, and Ten HD, a premium sports offering in high definition.

ZEE continues to dominate the International South Asian business globally with majority market share. Zee Variasi is a leading international channel among Malays in Malaysia. Zing continues to be the number one Music channel in UK within the South Asian audiences. Zee Aflam continues to be liked by the local Arab audiences. Another initiative taken by ZEE to further strengthen its international dominance is launch of Zee Cinema International in Indonesia, Myanmar & Hong Kong with English sub-titles. ZEE also received landing rights in China.

The Company launched another business in the New Media space, Ditto TV, in addition to India.com business. While India.com is an advertising supported online model, Ditto TV model is subscription led. Ditto TV delivers LIVE TV & Video on Demand on any connected devices. It comes in the form of an application that sits on the connected device. Channels on the offer include content from around 21 channels currently from partners such as Sony Entertainment Television, TV Today Network and the BBC.

In the quarter gone by we have witnessed some gains in the market share of key channels in our portfolio. We are confident that we will further gain market share through a planned content line up and continue to grow our business profitability in a sustained manner. MediaPro our joint venture for subscription revenues has performed pretty well and we are very confident of our robust performance going forward also. With the digitization mandate in past, it will further be able to create value for the business.

We have seen a robust sequential growth in our domestic subscription revenue also our confident focus approach combined with better monetization of subscription revenues will contribute to company delivering steady return in the year ahead.

With this, I thank you again for joining us and would like to now open the floor for question and answer session. Kawaljit.

Kawaljit Singh, Senior Manager, Corporate Strategy and Business Development

Ladies and gentlemen, we are ready for questions now. I would request all the participants to kindly limit themselves to two questions each, so that we can take as many questions as possible.

Questions And Answers

Operator

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. [Operator Instructions]. The first question is from Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, thanks for the opportunity. My first question is on the subscription revenues, you said that Media Pro has done quite well. So sir, we would have find the initial deals for FY13 and seen the -- now the headline also approach for compulsory digitization. Could you give us some clarity on what kind of growth you are looking for FY13 and as the optimism level for Media Pro and digitization increased compared to the last quarter? That's the first question.

Punit Goenka, Managing Director and Chief Executive Officer

Atul, you want to take that?

Atul Das, Head of Corporate Strategy and Business Development

Yeah. Hi, Abneesh, this is Atul here.

On the Media Pro front, you know one thing you have to keep in mind is that, when we say that Media Pro's formation has helped Zee, it not only translates into what we have seen as a revenue for this year, but more importantly it kind of gives us the optimism for the revenue going forward. So, this year as we already said in the past, has been more of a continuation of the things which we have signed earlier. And therefore the better impact or the more visible impact So in that sense, yes, most of the deals that are getting renewed post the formation of Media Pro as a joint entity, obviously in a zone which is better than what, let's say only Zee turnovers doing earlier.

So, that's one part of the question. And second with the digitization impact if there is an amount of positivity on how things are expected to roll-out in the first four metros, but in terms of the exact guidance as to what it will basically entail for FY13, it will be more difficult because there is a whole lot of industry participants largely that MSOs and the DTH operators will have to really be up on the mark as far as the deadlines are concerned. So, I think while everyone is expecting the digitization to happen pretty much more or less on time, but the exact implementation could take a few months more than the expected deadline.

So it will be very difficult to pinpoint and give a guidance on the numbers, but I would suffice that there is optimism towards the fact that digitization will happen.

Abneesh Roy

Sure. The follow-up question to Media Pro is that, are you facing any issue with your joint partner, because this is the first year though, is something changing in terms of the formula and basically what was the reason for the change in the accounting from net to gross.

Punit Goenka, Managing Director and Chief Executive Officer

Abneesh, as far as the objection is concerned, we are -- I think it's going very well. Both the partners are working in tandem to make sure that the Media Pro is a success. On the accounting part, I'll ask Hitesh to answer.

Hitesh Vakil, Chief Financial Officer

Abneesh, just to answer accounting change is just because of the guidelines, we have decided to follow AS 27 and do joint venture accounting. When we do the audit, we have realized that AS 27 is more complying to the company and accordingly we have decided to follow joint venture accounting. All up till now in first two quarters from Media Pro, we have done the equity accounting and we have just done one-line profit consolidation. But now that is not the true reflection, so what we have done is we have accounted for the net margin of Media Pro line-by-line under compliance to AS 27.

Abneesh Roy

Sir, my second and last question is on the advertising front. Non-sports has seen some growth, so if you could give us more insights into which were the drivers and are we getting benefit of the improved ratings already or the improved ratings will obviously come with the lag in FY13? And any insights into the Tamil channels because the change in the landscape -- distribution landscape there?

Punit Goenka, Managing Director and Chief Executive Officer

Atul?

Atul Das, Head of Corporate Strategy and Business Development

Yeah. Abneesh, on the advertising revenue front, yes, excluding sports, the numbers have been pretty decent given the backdrop of taking as on advertising spends overall. So I would say that in the fourth quarter if we talk about the immediate quarter, then we have done reasonably well given the weakness and overall ad spends. And some of the changes that we have seen in the rating in the fourth quarter uptick will obviously reflect in better advertising revenues as we go forward.

And as you know overall macro ad revenue spend expected as of now for the fiscal FY13 as per - in the zone of 8% to 10%.

Abneesh Roy

Okay.

Atul Das, Head of Corporate Strategy and Business Development

Unless things improve further, so we should hopefully be doing slightly better than that, if our market share continues to be strong.

Abneesh Roy

Will it be back ended -- 8% to 10% will it be back ended?

Atul Das, Head of Corporate Strategy and Business Development

Again it's a combination of the market scenario as well as our scenario, so very precisely it will be very difficult to say, but since in the advertising cycle, the third quarter would obviously be the larger part of the gain in terms of the seasonality factor. So it could be slightly on the back ended side.

Abneesh Roy

Okay. And Tamil part?

Atul Das, Head of Corporate Strategy and Business Development

On the Tamil part, it's an opportunity which is there and we wish to at least to make an investment to ensure that we are also in the running for a decent market share in the Tamil channel. So, that's there. I leave it right now.

Abneesh Roy

Okay sir. Thanks and all the best.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you Abneesh.

Abneesh Roy Operator

Thank you. The next question is from Nitin Mohta from Macquarie. Please go ahead.

Nitin Mohta

Thank you. My question was on the Media Pro JV, you have obviously quantified the impact of the top line, but if we can understand, going forward what kind of margin impact would it have just in terms of because the reported number this quarter has a very high selling and distribution cost component? So that was my first question.

Punit Goenka, Managing Director and Chief Executive Officer

Hitesh?

Hitesh Vakil, Chief Financial Officer

Well, Media Pro works on a very keen margins, so impact in that sense would be very negligible. But yes, it has its own line-by-line impact, so each cost head will have some impact on account of Media Pro share.

Nitin Mohta

Sir, if I understand this correctly, you reported the selling distribution cost for the quarter was around 154 crores even if I were to exclude the top line component for Media Pro, the selling distribution expenses is very high for the quarter. The second, understand what exactly was driving that?

Hitesh Vakil, Chief Financial Officer

Well, it doesn't include only Media Pro. It have its own existing business also have its own shares, particularly on Zee TV, Zee Cinema, we have increased our marketing spend, particularly when we had launch new shows, we had Zee Cine Awards this quarter and various other high cost movies that we had focused.

As a result, there has been an increase in marketing cost, there is also a higher replacement cost made during the quarter and all these has resulted into a kind of higher selling expenditure in this quarter.

Nitin Mohta

Got that. And the second question was on the sports side, obviously for the full year we have clocked a EBITDA level loss of about Rs.1.4 billion. I did get Punit's comments on it, but is there a number that we want to kind of cap our losses at in fiscal '13 or fiscal '14?

Punit Goenka, Managing Director and Chief Executive Officer

Fiscal '13 our expectation of loss is in the range of 65 odd crores, 65 crores to 70 crores. That's helpful. Thank you and all the best.

Operator

Thank you. The next question is from Pawan Singh from IL&FS. Please go ahead. Mr. Singh, your line has been unmuted, if you have a question please go ahead.

Pawan Singh

Hello?

Punit Goenka, Managing Director and Chief Executive Officer

Hello?

Pawan Singh

Hello?

Punit Goenka, Managing Director and Chief Executive Officer

Yeah, Pavan.

Pawan Singh

Could you just give me some clarifications on the non-sports advertisement revenues?

Punit Goenka, Managing Director and Chief Executive Officer

Pavan, what clarity would you like on that?

Pawan Singh

Some guidance on that, I mean heading forward?

Punit Goenka, Managing Director and Chief Executive Officer

Atul?

Atul Das, Head of Corporate Strategy and Business Development

Unfortunately, we will not be able to give that guidance in that manner. As we have specified that there is a back drop of the ad spends in the industry which is expected to be in the 8% to 10% zone as we are sitting today it may change

Pawan Singh

Okay. My next question is you said operating margins have maintained at 18% and there was some stress due to higher marketing and investments in content. So, would you can you just give us some guidance on that or you would be maintaining...

Atul Das, Head of Corporate Strategy and Business Development

Operating margins are not maintained. It has seen some fall as relative to either first quarter of fiscal '12 or relative to fourth quarter of last year. So, what you have seen is, the reason why it has dropped is investments and content and marketing and our investments and content and marketing is expected to continue into the next fiscal. The only difference would be the higher losses on account of sports which has been much higher this quarter may not continue as Punit just said little while back, so, that's the difference in two parts of the businesses as far as launches are concerned.

Pawan Singh

So, can we just assume the margins would be under some stress due to marketing and investments and content?

Atul Das, Head of Corporate Strategy and Business Development

Yeah, there would be some pressure initially till we see the monetization of our investments that have started largely in this quarter.

Pawan Singh

Okay. Thank you so much.

Operator

Thank you. The next question is from Shobhit Khare from Motilal Oswal Securities Limited. Please go ahead.

Shobhit Khare

Good morning sir. And thanks a lot for the opportunity. First question is what is the status on the dry quality of service recommendations on advertising, has it already been implemented and how will it impact the industry ad growth specially given that ad environment is slightly weak and taking price hikes could be challenging et cetera so, some color on that?

Second is has there been a change in ForEx accounting and is there any impact because of this on the reported EBITDA?

Punit Goenka, Managing Director and Chief Executive Officer

Nevertheless if advertising inventory is reduced it will benefit the industry overall because lesser the inventory the better value people would be able to derive from that. So, given the fact that we don't know whether this will actually come into effect I'm still hopeful that any reduction in inventory would only benefit the business in the long-term or medium to long-term.

But I don't see that impacting because I don't see TRAI having jurisdiction over this matter that's one. And Atul, will you take the second one or Hitesh you can take it?

Hitesh Vakil, Chief Financial Officer

On ForEx under revised schedule scheme fit guidelines we are now required to book all ForEx losses or gains as other income. So, earlier when the transaction or I'll say export realization was getting clubbed above the line under effective sales and services or any ForEx loss on our transactions which are then booked as a finance cost is all now removed from the respective ad and it's taken into other income. As a result you must have observed finance cost this quarter is showing a negative cost of about 21 crores if there is it.

Shobhit Khare

Right sir. Sir just follow up on this TRAI, so how is this going to pan out I mean what is the process going forward how the industry is tackling this?

Punit Goenka, Managing Director and Chief Executive Officer

Well, albeit as the industry body is taking this matter up with the Ministry and I think the way it will play out will be it will be in sync with the digitization that is going to take place. As digitization improves the advertising inventories will come inline with what is there in the cable act today.

Shobhit Khare

Okay, sir. Thanks a lot.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri

Thank you for the opportunity sir. Just wanted to understand our sports losses. Is there any new initiatives that we have taken and which have contributed the loss and what could that be quantify to?

Vikash as I mentioned little bit earlier, that we have launched Ten Golf and Ten HD, these two new channels have contributed to some part of the losses. Apart from that we had ForEx losses in the fourth quarter which have accounted for our losses going beyond what we had guided earlier during the year.

Vikash Mantri

Sir, but those ForEx losses would be below the EBITDA line?

Kawaljit Singh, Senior Manager, Corporate Strategy and Business Development

Sorry, this is translation losses which are simply getting added into the cost.

Vikash Mantri

So, given that we would have more given more cricket comes up in next year and rupee stays this way we will have heightened cost for the next year as well?

Atul Das, Head of Corporate Strategy and Business Development

Yeah. We will have to factor that.

Vikash Mantri

Okay. In terms of the loss guidance in sports was 60 crores to 65 crores. Now our cricket calendar for next year is significantly heavier than what we did this year. So, what helps us in telling that our losses will significantly reduce, can you give us some insight sir?

Punit Goenka, Managing Director and Chief Executive Officer

It's not actually it's significantly heavier. It's - if you look at the India Cricket, we only have one fees in the coming year.

Vikash Mantri

And we had only India-West Indies in the previous year sir so?

Punit Goenka, Managing Director and Chief Executive Officer

Correct, so this year also we have only India-Sri Lanka.

Vikash Mantri

Yes, but if you look at the non India we have a very heavy calendar with West Indies-New Zealand and Pakistan-Australia, Zimbabwe-Bangladesh, Sri Lanka-New Zealand so on and so forth.

Punit Goenka, Managing Director and Chief Executive Officer

That is factored into what the guidance has been given Vikash in for overall.

Vikash Mantri

Okay. Sir can I get a broad idea of what kind of cost increase can we factor in the sports business because of the cricket calendar that we have?

Punit Goenka, Managing Director and Chief Executive Officer

What do you mean, because all the cost that have been factored into the plan are inline with the guidance that I'm just giving.

Vikash Mantri

No, you have given me an EBITDA guidance, can you give me a cost guidance?

Punit Goenka, Managing Director and Chief Executive Officer

We can't breakup the business and give you top line and bottom line.

Vikash Mantri

Okay. Fair enough, sir. Thank you.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Siddharth Goenka from JM Financial. Please go ahead.

Siddharth Goenka

Yeah, good morning everyone and thanks for the opportunity. Sir, just wanted to understand what has been the growth from our -- ad growth from our non sports business for 4Q in FY12?

Punit Goenka, Managing Director and Chief Executive Officer

Atul?
Siddharth, we don't break out advertising revenue separately as you know. What we can definitely help you understand the business in saying in that advertising revenue on a like-to-like basis if you exclude sports has been better than last year. So, we are doing reasonably well. But given the fact that advertising overall spend has begun. Beyond that I won't be able to give you a specific number in terms of what it has growth.

Siddharth Goenka

Okay, fine. But if given that there has been a slow down pressure and during most of the year we have been having a problem of loss of channel share. So, and plus apart from that there was ad spend pressure also. So, can we say that, I mean it has been better but we have done a single digit growth, any sense if you can give us?

Atul Das, Head of Corporate Strategy and Business Development

Yeah, it's marginal. I won't say it's anywhere close to double digit but it's marginal but the fact is that even a marginal growth is say commendable given the fact that till last quarter or even till mid of this fourth quarter we were seeing some good share losses.

Siddharth Goenka

Sure, Sure.

Atul Das, Head of Corporate Strategy and Business Development

We have gained at the end of the quarter.

Siddharth Goenka

Right, right. Thank you. And on the domestic sports, domestic subscription revenues even if we remove the 51 crores of MediaPro as revenues they are still reporting revenues of around 250 crores which is a sequential jump of more than 10%. So, what has contributed is it the DTH revenue has contributed to that growth or the non-DTH part?

Atul Das, Head of Corporate Strategy and Business Development

Listen Siddharth we don't split out the DTH and cable revenues since MediaPro joint venture has been formed. Because we don't the get the revenues in that manner we are constraint. But overall domestic revenue is what we now definitely report and that is seeing some good amount of traction even if you remove the adjustment that has happened in the last quarter.

Siddharth Goenka

Okay, fine.

Punit Goenka, Managing Director and Chief Executive Officer Siddharth Goenka

Sure. And my last question is on the other income. Even if we see adjust for that ForEx loss into other income, our other income is still very, very high at around 51 crores. I mean if we were to adjust it beyond the negative side, our actually interest finance cost is just 2 crores and other income could be to the tune of around more than 70 crores. So, what is the reason for such a high jump in this other income?

Atul Das, Head of Corporate Strategy and Business Development

No, no, as I explained earlier, all the ForEx gain on export realizations which was earlier use to be accounted as sale and services, it is also removed and adjusted against the other income. So, there were about, another about Rs.21 odd crore which was earlier use to get captured at sales and services is also removed from sales and services and adjusted in other income.

Siddharth Goenka

Okay.

Atul Das, Head of Corporate Strategy and Business Development

If you'll do that adjustment, then you will find that it is all the normal trend that we have. No doubt, the other income has increased.

Siddharth Goenka

Right.

Atul Das, Head of Corporate Strategy and Business Development

But it is all inline.

Siddharth Goenka

But then our sales and services, the other sales and services also have seen a stronger jump, what has been the reason for that?

Atul Das, Head of Corporate Strategy and Business Development

That is because the sports indications that we have done in this quarter, but it gets compensated there and it doesn't come out, but otherwise if you look at it, our operating profit has been lower by about 21 crores because of this accounting change.

Siddharth Goenka Punit Goenka, Managing Director and Chief Executive Officer

Thank you Siddharth.

Operator

Thank you. The next question is from Anubhav Jain from Irevna. Please go ahead.

Anubhav Jain

Thanks for the opportunity sir. My question is regarding the big ticket movies, which we premier, regarding the amortization policy sir, as Don 2 was released -- was premiered in the last quarter, so how were the amortized in the watch part sir?

Hitesh Vakil, Chief Financial Officer

Amortization has been smooth over the line of the right. So, we continue to amortize even if it is not showcased.

Anubhav Jain

I didn't get you sir. Can you just repeat?

Atul Das, Head of Corporate Strategy and Business Development

Say any movie for that matter, if it is five year ride, it will get amortized over five years.

Anubhav Jain

Okay. It was premiered in the last quarter, so for the full year, the effect has been taken?

Atul Das, Head of Corporate Strategy and Business Development

No, it does month-by-month. So it is amortized over 60 months equally.

Anubhav Jain

Okay, sir. Fine. Thanks sir.

Operator

Thank you. The next question is from Arjun Khanna from Principal Mutual Fund. Please go ahead.

Thank you sir for taking my question. My question is in terms of the carriage fee that you payout, we did mention that the placement fee was higher for this quarter. But just to understand going ahead in this digitized environment, how do we see that planning out? Would it increase or decrease from these levels?

Corporate Participant

I think it is the short-term, Arjun the carriage fee will start to decline, but it will not completely get eliminated. But over the mid to long-term period, yes, the carriage fee should come down.

Arjun Khanna

Are we looking at a 50% reduction or --?

Corporate Participant

Difficult to give you a percentage. We are still just at the annual of the digitization taking off in the four metros. We will have more color on this in maybe in the next couple of quarters.

Arjun Khanna

Sure, thanks for that. My second question is just to understand like we did earlier when DTH was launched, we did give them some sort of forbearance in terms of lenient fixed fee deal just to get that digitization on track, because it would lead us to a better subscription revenue over a longer-term, is that something we are exploring with the new digitization system that's going to be launched?

Corporate Participant

I think it's still early to say, we are in discussions with the large MSOs and the smaller operators as well. Both models are being talked about, whether it will be fixed fee deal or cost per subscriber deal. But things will pan out in the next couple of months in a more clear way.

Arjun Khanna

Sure. I understand these are early days, just to understand the broadcast of share, we understand that the MSOs would be keep 65% of the pay revenue and our share would probably be out of that. Given that DTH is roughly between 35%, 40%, are those the levels you are comfortable with as high share of revenue?

Punit Goenka, Managing Director and Chief Executive Officer

The way the pricing has been done is same as DTH, it's 42% to the broadcast.

Arjun Khanna

Of the RIO? Perfect.
Of the RIO.

Arjun Khanna

Sure.

Punit Goenka, Managing Director and Chief Executive Officer

But if we start getting into fixed fee deals and CPS kind of deals, the RIO pricing is irrelevant.

Arjun Khanna

Sure. That's what I was coming to.

Punit Goenka, Managing Director and Chief Executive Officer

Yeah, but if the MSO or cable operator wants our channels on the RIO basis, they have to pay us 42% of the revenue that they are retaining.

Arjun Khanna

Sure, sure. RIO was of the price of the -, right? It has nothing to do with the revenues they are charging?

Punit Goenka, Managing Director and Chief Executive Officer

Yeah, it's a price of our bouquet.

Arjun Khanna

Sure, sure. Thanks a lot.

Punit Goenka, Managing Director and Chief Executive Officer

Yeah.

Operator

Thank you. The next question is from Aashish Upganlawar from Spark Capital. Please go ahead.

Aashish Upganlawar

Yeah, sir just wanted to understand on this TRAI restriction that has come, is it going to be implemented and challenged or is it going to -- people are going to wait the broadcaster is going to wait before the final verdict from

Punit Goenka, Managing Director and Chief Executive Officer

Which TRAI guideline is coming?

Aashish Upganlawar

Sir, this restriction of 12 minutes per hour on the advertising.

Punit Goenka, Managing Director and Chief Executive Officer

I think the IBF is going to challenge this.

Aashish Upganlawar

Okay. So till that time there will be no implementation. So currently we are running with...

Punit Goenka, Managing Director and Chief Executive Officer

Well our view is that TRAI firstly has no jurisdiction in even mandating something like this.

Aashish Urganlawar

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

It's this is something that the Ministry has to do if at all. Therefore the IBF will be challenging this pretty soon.

Aashish Urganlawar

Sir, in case that it gets implemented probably so in the may be the year that it gets implemented, how much of hit that means because rates can't be increased by that quantum probably.

Punit Goenka, Managing Director and Chief Executive Officer

That is your belief. I believe that any inventory cut will result in rate increase.

Aashish Urganlawar

Okay. To the tune of may be even 30%, 40% kind of absorption can advertisers take in this environment probably?

Punit Goenka, Managing Director and Chief Executive Officer Aashish Urganlawar

Okay. And secondly on this media pro 50 crores of top line, what kind of expenditure has gone into the expenses heads corresponding to this?

Atul Das, Head of Corporate Strategy and Business Development

As I mentioned earlier, MediaPro operates on a very thin margin.

Aashish Urganlawar

Okay.

Atul Das, Head of Corporate Strategy and Business Development

And so actually the same amount of expenditure with very negligible profit.

Aashish Urganlawar

Okay.

Atul Das, Head of Corporate Strategy and Business Development

Is there in capital bank.

Aashish Urganlawar

Okay. So that mostly come into the other expenses like.

Atul Das, Head of Corporate Strategy and Business Development

Various heads, it has gone into all the heads personal costs, administrative costs, selling, expenses.

Aashish Urganlawar

Sure, fine. Okay, thanks a lot. Thanks.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you Aashish.

Operator Analyst

Yeah, hi thanks. Yeah, my question is from the new initiatives you had in your comment Ditto TV is it possible to quantify the amount of investments you have done in this quarter and any road map in terms of what you are looking at for next year?

Punit Goenka, Managing Director and Chief Executive Officer

Our investments in the last fiscal has been to the tune of about 45 crores.

Analyst

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

And we do expect next year also a similar amount to be invested in the business.

Analyst

Okay, fine. Thanks a lot.

Operator

Thank you. The next question is from Bijal Shah from IIFL. Please go ahead.

Bijal Shah

Sir, thanks for the call. Continuing on the question on investment, we are looking at probably launching content in several new geographies and just also if you could brief us on, what are plans for Tamil Channel launch or probably revamping or increasing spend on Tamil. So, overall how much cost at EBITDA level we are likely to incur on this new initiative and the Rs. 45 crore which you mentioned you are talking about investment in terms of capital expenditure or it is in terms of EBITDA losses incurred during the year?

Punit Goenka, Managing Director and Chief Executive Officer

Atul you want to take it?

Atul Das, Head of Corporate Strategy and Business Development

Yeah. Hi, Bijal. On the new initiatives I think I had classified into let's say initiatives and interest market and some initiatives in the domestic market. Some of those initiatives have actually been already seen being launched which will continue its investments in fiscal 2013 so some of them are investments in new media including Ditto TV in India.com and these two initiative which have launched which is in our new media space and we have launched few new channels So, we currently have now four HD channels including Zee TV, Zee Cinema, Zee Studio and Ten and then we have launched Ten Golf channel. So, these are some of the new initiatives which have already come through in this year but we'll see the impact of the full fiscal coming in the next year. And then as you rightly highlighted there are some initiatives in the international market and those will be largely to tap into newer audiences or newer markets for our content.

So, initially as you know, we had expanded its coverage largely to international markets and tapping the Indian audiences. But in the recent history we have seen very good success in trying to take our content to the local audience in several markets. So, one of the initiatives will relate to localizing or contracting some of the markets that we operate and therefore see a far most significant jump in let's say advertising revenues, because once you reach the local audiences, the mass base increases and it can help to generate advertising revenues. There has been the earlier model, even largely subscription revenue model because they were reaching to a niche audience of the Indian audiences across the world.

But since you are going into the mass-based audience, you need to spend more on marketing and distribution and that will result in some investments. We can't give very specific in terms of the actual geography and actual business, till we announce it and obviously then we will let - so broadly these are the things which I can talk about.

Bijal Shah

So sir, overall in terms of investments, as Puneet pointed out, it will be around 45 crores, so is that the number which we should go with as of now?

Atul Das, Head of Corporate Strategy and Business Development

I think Punit if I - the liberty, I mean we can't be very precise on that number, I mean I think Punit just gave a very broad guidance. It could be higher than that number also, because in case of new investments, the timing of the launching, and the scale up for the launch can differ basis, how we finally take it during the year. So, it will be very difficult to be very precise on that number. Yes, but it could be in the range of let's say 50 crore to 100 crores also.

Bijal Shah

Okay. And that is we are talking about at EBITDA level, how it will impact that.

Atul Das, Head of Corporate Strategy and Business Development

Yes.

Bijal Shah

Okay. Second question is on sports losses, as you mentioned that there is around 21 crore of income which was earlier part of other sales has been reversed during the quarter and it has been reclassified as other income, is this reclassification in anyway impacting sports losses, so my question is, is sports losses on account of this reclassification higher for the quarter than actually they are?

Hitesh Vakil, Chief Financial Officer Bijal Shah

Okay. So, sale for the Ten Sports losses would have been slightly lower or lower to that extent?

Hitesh Vakil, Chief Financial Officer

To that extent, yes.

Bijal Shah

Yeah, thanks a lot.

Operator

Thank you.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

The next question is from Amit Kumar from Kotak Securities. Please go ahead.

Amit Kumar

Hi. Thank you so much for the opportunity. Sir, my first question sort of again pertains to Ten HD and Ten Golf launches. Would it be possible to quantify the start-up or launch expenses of these channels in this particular quarter?

Punit Goenka, Managing Director and Chief Executive Officer

I am sorry Amit, we don't break up that and give you.

Amit Kumar

Okay, not a problem. These channels are present in the standalone, I mean, these channels have been launched in the standalone entity or in some of the subsidiaries essentially?

Hitesh Vakil, Chief Financial Officer

It is a subsidiary.

It is a subsidiary largely.

Amit Kumar

Both of these?

Hitesh Vakil, Chief Financial Officer

Yeah.

Amit Kumar

Which was the subsidiaries, if you could please tell us?

Atul Das, Head of Corporate Strategy and Business Development

Taj, Mauritius.

Amit Kumar

Both of these are in Taj, Mauritius. Fair enough.

Sir, I have a little bit of -- I mean I'm sort of struggling to understand this 65 crores, 70 crores loss guidance that you have given, because just on these two channels, I mean sure, there will be some start up and launch expenses in this particular quarter. But it's difficult to believe that at least these two channels will become profitable during the course of the year and given that losses in these channels would be incremental, that means that you are saying that in the current sports business or current sports channels that we have losses will reduce substantially next year. But I mean all the operating metrics don't seem to be pointing in that direction including the rupee depreciation which is going to result in higher rupee cost of content essentially. So, just not entirely on Board on this sports guidance essentially.

Punit Goenka, Managing Director and Chief Executive Officer

Amit, you are missing one big metric of what our revenues are with us.

Amit Kumar

Okay. So could you just give us some color on that? I mean I would --.

Punit Goenka, Managing Director and Chief Executive Officer

The subscription revenue as of -- as we've been saying in the past as well, is what is driving the growth in the sports business. And as that revenue becomes more robust and more is growing for us, is what is contributing to the reduction in losses of the sports business. And we continue to believe in growth of that, therefore we are continuing to invest in the sports business. So, are you assuming some sort of a positive contribution from digitization for the sports business also this year, because the timing seems to be a bit uncertain on that side?

Punit Goenka, Managing Director and Chief Executive Officer

No, obviously. I mean digitization is applicable for all genres of content and it will include even the sports business.

Amit Kumar

If digitization from this June deadline gets delayed then that impacts your?

Punit Goenka, Managing Director and Chief Executive Officer

Irrespective of that, I think our guidance was that.

Amit Kumar

Hello? I am sorry.

Punit Goenka, Managing Director and Chief Executive Officer

Irrespective of that, I think our guidance will stand at this at the levels that I have said.

Amit Kumar

All right. Okay my second question pertains to I mean I am looking at this on a full year basis your total other income excluding one offs is about 1.2 billion on an average cash balance of about 11 billion I mean that despite the high interest rate environment, the effective yield of more than 11% seems to be a bit on the higher side. I presume that you are not investing in risky assets?

Punit Goenka, Managing Director and Chief Executive Officer

You are saying that we are doing a bad job by doing higher return?

Amit Kumar

No higher returns are fine but this seems to be bit of super normal returns I mean certainly there are no equity assets or any capital risk in this essentially and if you could just explain this large point?

Atul Das, Head of Corporate Strategy and Business Development

Rest assured we don't have our investment policy don't permit risky investments we are putting money into by and large into debt funds and liquid funds and on commercial papers.

Okay. Is there any I mean, in this particular quarter is there any FMP impact also?

Atul Das, Head of Corporate Strategy and Business Development

What is that, sorry?

Amit Kumar

Fix Maturity Plans?

Atul Das, Head of Corporate Strategy and Business Development

No, everything is valued as per mark-to-market and clearly there is no unrealized gain book.

Amit Kumar

No, I am not saying any unrealized actually I mean, in case of FMPs you will have realize gains excessive realized gains during a quarter is that the?

Punit Goenka, Managing Director and Chief Executive Officer

Those are all realized gains which is booked under other income.

Amit Kumar

Okay, fine. Thank you so much. I'll come back.

Operator

Thank you. [Operator Instructions]. The next question is from Rohit Dokania from B&K Securities. Please, go ahead.

Rohit Dokania

Yeah, hi. Good morning sir. Just two-three quick questions. I was just wondering Punit gave the figure of 45 crores, does it include the losses from the sports channels that we have launched or it excludes the losses, that particular 45 crores?

Punit Goenka, Managing Director and Chief Executive Officer

No, that doesn't include the sports business at all.

Rohit Dokania

Okay. Great. And sir the second question would be actually just looking at the Ten network results and they have reported a positive 8 crores EBITDA from MediaPro for a 25% stake that they hold which means if you were to do a 50% stake and adjusted to

nine months our EBITDA from probably media sports this quarter could be in the range of 11 crores to 12 crores. Is that a right figure that I'm looking at or it's far lower than the 10 crores to 11 crores that I just spoke about?

Punit Goenka, Managing Director and Chief Executive Officer

I want to comment on our dense accounts for MediaPro.

Rohit Dokania

Okay, okay.

Punit Goenka, Managing Director and Chief Executive Officer

But we have done it fairly on our net adjustment accounting and net revenue as been booked.

Rohit Dokania

Okay. Fair enough sir. And just one last question is it possible for you to your domestic subscription revenues has grown by about 21% on a year-on-year basis and if I adjust that for the change in accounting from MediaPro would have grown by about 27%, 28% in FY12 and you also commented that the real growth would be seen I mean would be seen in FY13 onwards. Is it possible for you to quantify any kind of number, plus minus 5% what could be the growth in the subscription revenue front in FY13?

Punit Goenka, Managing Director and Chief Executive Officer

Atul?

Atul Das, Head of Corporate Strategy and Business Development

But I request you to repeat the question please I didn't get it.

Rohit Dokania

Yeah sure. Atul I was just saying that the domestic subscription revenues front on a like-to-like basis would have grown by about 27%, 28% excluding the 51 crores from MediaPro by FY12 and you also commented that it would actually be better going forward. So could you at least tell me whether the growth would be in upwards of 27%, 28% or lower or any ballpark figure on that would be really helpful?

Atul Das, Head of Corporate Strategy and Business Development

So I'm not able to place the 27%, 28% the domestic subscription revenues on a full year basis? Yeah, on a full year basis sorry on a full year.

Atul Das, Head of Corporate Strategy and Business Development

Including I think the adjustment of 50 crores it is about 29%.

Rohit Dokania

Yeah, so if you exclude that it's about 21.

Atul Das, Head of Corporate Strategy and Business Development

Excluding that, yeah, so I think for a next year perspective we are hoping of a good growth in revenues quantification of that in

terms of how much will it be in terms of percentage would be still difficult. But we would definitely think that double digits is what I can say. So more precisely there will be upwards of 20% will be very difficult to say. But make double digits something that we can expect

Rohit Dokania

Great. That was really helpful. Thanks a lot and wish you all the best.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Atul Das, Head of Corporate Strategy and Business Development

Thanks.

Operator

Thank you. Next question is from Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri

Sir, can you just outline the investments that we are doing in terms of four GEC channel in terms of new programming and that two new programs that we talked about, are they replacements or addition of new hour?

Punit Goenka, Managing Director and Chief Executive Officer

No, the two new shows that I just talked about are replacement shows, both Punar Vivah which is at 10:30 PM and DID Lil Masters which replaced DID Season 3. But as I had said in my last calls and other interactions as well, we will be taking the original hours of content on Zee TV to about 35 hours to 36 hours within a next three to six months itself.

Okay. And we have already tried to look at these programs or they are in the pipeline in the next three to six months?

Punit Goenka, Managing Director and Chief Executive Officer

If we are launching that in three to six months, they are already in the production.

Vikash Mantri

Just to clear, they are not subject to environment?

Punit Goenka, Managing Director and Chief Executive Officer

No, as Atul also mentioned that we are willing to continue to invest in content and marketing irrespective of the environment.

Vikash Mantri

And the same is true for our movies library?

Punit Goenka, Managing Director and Chief Executive Officer

How do you mean it is?

Vikash Mantri

Are we adding in more movies library to build our movies content for our channels?

Punit Goenka, Managing Director and Chief Executive Officer

Yeah, I think for the current year we have already acquired whatever the lineup we had to. There is not much library -sorry, new releases available for the current fiscal, but we will be buying for the future.

Vikash Mantri

Okay. Sir, our competition, actually Star has launched a new movies channel Movies OK to increase their channel count in movies, do we intend also to launch more movies channels going forward?

Punit Goenka, Managing Director and Chief Executive Officer

We don't follow what Star does.

Vikash Mantri Punit Goenka, Managing Director and Chief Executive Officer

Nothing in the pipeline as of now, Vikash.

Vikash Mantri

Okay. Sir, coming back to the sports losses again; clearly if I have to look at our performance vis-à-vis guidance, we guided for 100 crores in FY11 ended a bit 200 plus crores. In FY12 we guided for 100 and ended up with 148, so those errors in projections that we did because of our assumption, have we corrected that in making that the 65 crore, 70 crore guidance and should I expect that we will not deviate this time?

Punit Goenka, Managing Director and Chief Executive Officer

I think Vikash, we should look at it from the perspective that almost 25 crores, 28 crores of that is ForEx which one cannot calculate. From the 148 that you talked about.

Vikash Mantri

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

So our guidance was not that off in terms of our calculations.

Vikash Mantri

Fair enough.

Punit Goenka, Managing Director and Chief Executive Officer

Yeah?

Vikash Mantri

Okay. Okay, sir. Really appreciate that. Sir I only hope that next time if there is a possibility of a deviance, we will get a change in the

number early enough.

Punit Goenka, Managing Director and Chief Executive Officer

Yeah. I hope RBI keeps us informed early enough.

Vikash Mantri Punit Goenka, Managing Director and Chief Executive Officer

Sure Vikash.

Operator

Thank you. Ladies and gentlemen, due to time constraints we will take last two questions. The next question is from Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, just one follow up question. Atul said that for international markets, you plan to look at localized content, so does it mean that you will do the Afgani content or it will be basically Hindi content into Afgani that will continue? Some clarity on that.

Punit Goenka, Managing Director and Chief Executive Officer

No, we are going to start investing into localized content, definitely in these markets. We have seen success in both our Malaysia content as well as our Arabic channel that we have launched. There is a new channel that we are also contemplating this year in the Arabic language and therefore it will be a combination of both, localized content as well as what we produce here.

Abneesh Roy

And this will be limited to a few markets only? How big is the opportunity and are we doing a staggered addressing of these opportunities?

Punit Goenka, Managing Director and Chief Executive Officer

I think the opportunity is big, but to quantify, it's still early days. We have just entered in these markets, and it's something that we are going to experiment and come back to you guys as to what our success ratio is going to be.

Abneesh Roy

Okay. Okay, sir. Thanks. All the best.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you. The next question is from Swati Nangalia from IDFC Securities. Please go ahead.

Yeah. Thank you for taking my question. My first question is for a core broadcasting business, now Punit you mentioned that we have seen an improvement in our week day or prime time GRPs. On a quarter-on-quarter basis our core content has not seen significant change due to the fiction shows. So, just wanted to get your thought and what has really led to this viewership increase, is it to do with competition slowing down or is it significantly led by higher placement of carriage income which we have paid, so, how should one look at this?

Punit Goenka, Managing Director and Chief Executive Officer

No, I think our shows have definitely improved Swati, I mean if you look at the newly launched shows like Punar Vivah and Phir Subah Hogi in this quarter itself, we have seen traction on those slots you know growth of over 50% from this slots so averaging three months back. So, it's a combination of both weekdays and weekends that have delivered this growth in terms of viewership. It's nothing to do on account of higher placement but definitely do with higher marketing spends.

Swati Nangalia

Okay all right. And the second question is related to the sports income now. We have booked the - indication income could you please quantify the same and is there a corresponding cost attached to that which we have booked in the current quarter?

Kawaljit Singh, Senior Manager, Corporate Strategy and Business Development

Sorry, Swati we don't give itemized break ups but yes it has a significant impact on syndication. There is no cost attached to it beyond what has already factored, there is no specific cost of syndication there.

Swati Nangalia

Yes, I understand you cannot give us the figure exactly but just wanted to understand that other sale and services which you see in an over 40 crores increase in a sequential basis that could probably not be a regarding income which we could see going forward. So.

Kawaljit Singh, Senior Manager, Corporate Strategy and Business Development

It will be well led definitely so it may not be a recurring income.

Swati Nangalia

Okay.

Atul Das, Head of Corporate Strategy and Business Development

But Swati Atul here, just to complete that question. What happened in some series in the sports business you have increased costs and therefore the cost is reflective in the quarter of increased cost but also there are opportunities of indications in some markets and therefore the revenues of indications reflect in other case. So, if in the next quarter let's say the revenue may not be of the same quantum or of the say magnitude on syndication but so will correspondingly

Swati Nangalia

Yeah. Understood. Essentially it is in the same quarter as in Q4 there may not be a cost attached right so I understand it could back ended or.

Atul Das, Head of Corporate Strategy and Business Development

Because there is cost attached, there is sports cost which is there in Q4.

Swati Nangalia

Okay.

Atul Das, Head of Corporate Strategy and Business Development

But, it's not like there is a cost attached to the syndication revenue there is a cost that you have acquired on the right.

Swati Nangalia

Right.

Atul Das, Head of Corporate Strategy and Business Development

There are opportunities in some cases of syndication revenue and that you utilize whenever such opportunities arise. So, the interpretation is different. If there is a cost but it is not attached to a syndication revenue.

Swati Nangalia

All right. And sir lastly, just one last thing is on the other income I know Hitesh you have clarified that there is ForEx impact of 44 crores that is 23 plus 21. I believe there is some amount of interest credit which we've got for our income tax refund. Has that been booked in the current quarter in the other income?

Atul Das, Head of Corporate Strategy and Business Development

Yeah, that's part of our normal income say interest income.

Swati Nangalia

Is there because that will again not be a recurring income which we will get in the next quarter. So, could you give us the amount for that?

Atul Das, Head of Corporate Strategy and Business Development Swati Nangalia

How much is the quantity I mean how much is the amount we have got back?

Atul Das, Head of Corporate Strategy and Business Development

We will not be able to give you that breakup.

Swati Nangalia

All right okay. Thank you so much.

Operator

Thank you. Ladies and gentlemen due to time constraint that was a last question. I now hand the conference back to Mr. Kawaljit Singh for closing comments.

Kawaljit Singh, Senior Manager, Corporate Strategy and Business Development

Thank you Mellina. Ladies and gentlemen thank you for joining us. We hope to have the transcript of the call on our website zeetelevision.com soon. We look forward to speak to you again at the end of the first quarter of fiscal 2013 or even earlier on a one-on-one basis. Thank you and have a great day.

Operator

Thank you very much. On behalf of Zee Entertainment Enterprises Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines. Thank you.