

Operator

Ladies and gentlemen, good day and welcome to the Zee Entertainment Enterprises Limited Q1 FY 2013 Results Conference Call. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask the questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kanwaljeet Singh from Zee Entertainment Enterprises Limited. Thank you, and over to you Mr. Singh.

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Thank you, Imba. 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 first quarter of fiscal 2013 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, www.zeetelevision.com. To discuss the results and performance, joining me today We will start with a brief statement from Mr. Goenka on the first 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, Kanwaljeet. I'd like to welcome everybody to this call and appreciate your joining us for the discussions on results for the first quarter of fiscal 2013. Let's begin with details of some of the key developments of the quarter focusing on the financial performance.

Zee's advertising revenues during the quarter were Rs.4.47 billion, showing a growth of 18% year-on-year. This is reflective of the improvement in our market share and performance. As most of you are aware, the advertising spends on television is not as buoyant this year and our performance is considerably better than the overall industry growth. I'll talk in detail about our improvements in the market share later, but we are pleased with the performance.

I would also like to dispel any thoughts about a one-off items in this performance. The total subscription revenues for the quarter were Rs.3.64 billion, registering an increase of 19% over the corresponding quarter last fiscal year.

During the current quarter, divested subscription revenues stood at Rs.2.5 billion, while international subscription revenues were 1.14 billion. Divested subscription revenues are up by 21% year-on-year where as the subscription revenue from international operations are up 17% in rupee terms. International revenue growth of course has been aided by rupee depreciation. In constant currency terms, the revenue continues to be flat. On the cost front, programming and operating cost in the quarter were Rs.3.76 billion as compared to Rs.3.42 billion in the corresponding period last fiscal, an increase of 10% year-on-year.

Employee cost have gone up by 19% over the corresponding period last fiscal. Selling and other expenses in the quarter were Rs.1.4 billion as compared to Rs.1.25 billion in the corresponding period last fiscal. Total cost incurred by the company in this quarter were Rs.6.1 billion, an increase of 12% over the corresponding period last fiscal.

During the quarter, the company's operating profit was Rs.2.32 billion. The operating margin for the quarter was 27.7%. The expansion in margin is due to the higher advertising as well as subscription revenues. Excluding sports business, the EBITDA margin stood a healthy 34.2%. Profit before tax for the quarter stood at Rs.2.52 billion, a growth of 48% over the corresponding quarter last fiscal.

Profit after tax for the quarter stood at Rs.1.57 billion. We continue to invest in our sports business with a medium to long-term perspective. We do expect losses to continue in the sports business for some more time to come, but we are hopeful of seeing a much more improved performance in the years ahead. The sports losses during the quarter were Rs.210 million.

As of June 30, 2012, the company has a gross debt of Rs.13 million and net cash of Rs.11.83 billion. I'd like to highlight that during the first quarter, the company has bought back Rs.590 million worth of shares.

I would now like to cover the business performance.

The channel delivered a weekly average of 23 shows amongst the top hundred shows during the quarter, led by top rated fiction shows like Pavitra Rishta, Punar Vivaah, and Mrs. Kaushik. And the non-fiction shows Dance India Dance Little Masters is the number one non-fiction show in the country today.

Zee TV launched new shows Phir Subah Hogi and Sapne Suhane Ladakpan Ke to extend its prime time on weekends with CFIS in this quarter. As you all know the channel garnered 252 GRPs in the last week on the back of enhanced traction with viewers. We hope to continue the journey of improving our market share.

The networks Hindi movie channel Zee Cinema averaged a 127 GRPs during the quarter. The key properties of the channel during the quarter were Lage Raho, Shaniwar Ki Raat Sitaron Ke Sath and Cinema Hall.

The premier of Agneepath on Zee Cinema met with tremendous success and delivered good viewership rating. This quarter saw the launch of B Se Big B Film Festival and Dopahar Zee Cinema Par Film Festival.

Zee Marathi delivered an average weekly GRP of 185 during the quarter, recording a relative share of 28.3%. The top launches during the quarter were Maharashtra Lokdhara and Dabba Gul. The channel launched three new shows, Tu Tithe Mi, Dabba Gul and Maharashtra Lokdhara. The quarter also saw the telecast of Fu Bai Fu and Sa Re Ga Ma Pa 2012 Grand Finale.

Zee Bangla delivered an average of 340 GRPs in the quarter, ranking a clear second in the Bangla Zee TV honors recording a relative share of 31.4%. Zee Bangla was the number one channel in non-fiction and in digital C&S 4+ market during the quarter. Rashi, Keya Patar Nouko and Saat Paake Bandha were the top fiction shows. While Didi No.1 Season 3, Mirakkel Awesome Sala and Dadagiri Unlimited 3 were the top non-fiction shows for the quarter.

The key properties launched in the quarter were maiden season of Didi No.1, Sati and Banglar Sera Paribar. The quarter also saw the telecast of Zee Bangla Gaurav 2012, a mega award show based on cinema, literature, drama and music.

Zee Telugu averaged 329 GRPs during the quarter, recording a relative share of 19.5%. Chinna Kodalu which is a remake of Choti Bahu, Muddu Bidda, Kalavari Kodallu were the top fiction shows on the channel during the quarter. Lukku Kikku and Chitham Chitham Praya Chitham were the top non-fiction shows.

The channel launched two new shows Punar Vivah which is remake of Punar Vivah and Nene No.1 in the quarter. Another highlights for the quarter was the telecast of special event Okariki Okaru events with screen couples which garnered good ratings.

Zee Kannada averaged 217 GRPs during the quarter reporting a relative share of 17.4% driven by popular shows like Radha Kalyana, Parvati Parmeshwara, Panduranga, Vittala and Oggarane Dabbi.

This quarter saw the launch of Rajakumari, Real Star Real Kathe and Haalu-Jenu Naanu-Neenu. Zee Tamil having 84 GRPs during the quarter driven by popular shows like Chinna Marumagal and I can't even pronounce the others.

The key properties on our sports channel bouquet during the quarter included telecast of Pakistan versus Sri Lanka series, West Indies versus Australia series and UEFA Champions League Finals. WWE continues to be the strong property, attracting audiences as well as advertisers. The forthcoming quarter, we'll see the telecast of cricketing events like India versus Sri Lanka series, Pakistan versus Australia series, UEFA Champion League, UEFA European League and U.S. Open. The sports business revenue in the first quarter of fiscal 2013 were Rs.992 million, while costs incurred in this quarter were 1.2 billion.

Zee continues to dominate the international South Asian business globally with majority market share. In America Zee TV continues to be the number one South Asian channel, the Zee TV HD fleet introduced in this quarter. In Europe, a new agreement was signed with the Your TV for PAN-European IPTV services. In Africa Zee TV became the first ethnic channel to be monitored by TAM in South Africa and was positioned with the top 50 channels out of the 120. In mean, Zee Cinema was the number one movie channel in UAE amongst all South Asians. Zee has started the year on a good note with improvement in operating performance in Q1 fiscal '13. Our portfolio has done well, both in terms of viewership and ratings. Inline with our focus of investing in content and programming, we have launched new shows in the quarter which have been well received by the audience.

In the next few quarters, we will continue to invest in making our content stronger and also build new businesses. The current slowdown in the economy notwithstanding, we are confident of the continued growth of the business from medium to long-term perspective. Our investments in the business are with a view to capture a large part of the growth prospects through disciplined investments.

With this, I thank you again for joining us and would now like to open the floor for question-and-answers. Kanwaljeet?

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business

Development

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

Questions And Answers

Operator

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

Abneesh Roy

Punit, congrats for the excellent set of numbers. My first question is on the market share expansion which has happened in Zee TV, your flagship channel. First is obviously, how much this has -- if you can give us some color for the 18% ad growth, how important has been the market share expansion across many of your channels And how much is the contribution from stronger TV sectors, for example FMCG is much stronger on TV versus print. Why I am asking this, print if you see the ad growth has been negative to very low single-digits while you have reported 18% growth. So some color on that?

And a follow-up on market share expansion, is there any -- anything available in MediaPro agreement that if your market share expands for a reasonably long time, there could be upsides and similarly vice versa there could be down sides. Because last year when you had signed MediaPro, your market share was low in many of the genre? That's the first question, sir.

Punit Goenka, Managing Director and Chief Executive Officer

Okay. Abneesh, on the first part, I don't know if today you've seen -- has put on a advisory on the ad growth for this year, they have revised their forecast down from 12% to 6.6%. This should give you a color of what the benefit of market share expansion is vis-à-vis the industry growth. Beyond this, I will not be able to give you more details. And on the MediaPro side, no, there is on such downside or upside that is factored into the agreement, it's a fixed contract that we have and the revenue share works on that formula.

Sure. Sir, my second last question is on the South Indian markets, specially Tamil market we are hearing that you also now see an opportunity and what's the long-term strategy in Karnataka and Andhra markets, that's a fragmented market. So, but normally you are number one or number two in most other markets. So some color on Andhra and Karnataka also?

Punit Goenka, Managing Director and Chief Executive Officer

Atul, you want to take this?

Atul Das, Chief Strategy Officer

Hi, Abneesh Atul here. Yes we are, as Punit in his opening remarks said, we are looking at expanding our market share in most of the genres. I don't think we can talk about what our targets are at this stage, but in general I think one can say that we are looking at growing our market share. So Tamil is an opportunity, obviously everyone knows that bit is a possible opportunity and we are also looking at that option.

Similar is the case for Telugu and Karnataka. So In Telugu, we have grown our market share, though marginally in the last four quarters by about 2 percentage points to 3 percentage points and in Kannada it's been a fluctuation -- a fluctuating case where we have hovered between 16% to 18%. So our effort is to go on and build those market shares. Beyond that I think we -- able to answer specifically.

Abneesh Roy

Sure. Thanks. I'll back come back if I have more. All the best.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you, Abneesh.

Operator

Thank you very much. Our next question is from Shobhit Khare of Motilal Oswal Securities. Please go ahead.

Shobhit Khare

Good afternoon sir, and congrats on a good set of numbers. Two questions. One is, what is your outlook on the exports margins which you mentioned around 34%. Should we be able to maintain that through the year. And second question is on domestic subscription revenue. If we exclude the one-offs, then what is the quarter-over-quarter, how it has behaved?

Punit Goenka, Managing Director and Chief Executive Officer

Shobhit, as I said in my opening remarks, there are no one-offs in this quarter that we are reporting. Everything is on the basis of business as usual. On the non-sports business, as I said, given the volatility in the advertising market, bearing that the margin should be maintainable.

Okay. Sir.

Punit Goenka, Managing Director and Chief Executive Officer

That's the non-sports business you are talking about. Right?

Shobhit Khare

Yeah. Yeah. So given that you mentioned about investments et cetera. So should we would be able to protect 34% for the year?

Atul Das, Chief Strategy Officer

Shobhit, Atul here. I'd like to add to that comment, is that while, you know that we are increasing our investments on content across the board and in the first quarter also as we have started increasing our ramp up of programing, you've seen that almost at the back end of the first quarter we have launched a few new shows. So that launch of new shows is continued to be planned for the coming quarters and therefore the costs will increase, and therefore non-sports margins will largely depend on how the economic environment is from an advertising perspective also. But yes, costs are going to increase. So there is likelihood that margins could be impacted. And that is -- the approach to doing the business continues to be the same as what we would have discussed about three months back or in the last few months, that has not changed.

Shobhit Khare

Right. And Sir my question on domestic subscription was in fourth quarter we had a bunched up number because of addition of previous quarters and change in reporting. So on like-to-like how it has fared, domestic subscription?

Atul Das, Chief Strategy Officer

If you look at it last quarter, we had obviously because of an accounting change, a 50 crore revenue booked in the third quarter which was actually a revenue for three quarters prior to that.

Shobhit Khare

Right.

Punit Goenka, Managing Director and Chief Executive Officer

If you really strip that out and make it as like-to-like, then fourth quarter revenues would have been about 16 crores to 17 crores, not 50 crores.

Shobhit Khare

Okay.
Apart from that, everything is normal.

Shobhit Khare

Okay, sir. Thanks a lot, sir.

Operator

Thank you very much. Our next question is from Hiral Desai of iAlpha Enterprises. Please go ahead.

Analyst

Yeah, thanks for taking our question. Just wanted to check out one thing, if I look at the annual report for 2012, the rest of world revenues are reported at about 1,150 crores, whereas our international subscription revenue would be about 400 crores. So would the rest be the sports channel or English channels which are owned abroad or how does it adapt, because that's a huge number?

Atul Das, Chief Strategy Officer

Well, rest of all numbers definitely includes international subscription, international advertisements, syndication revenues, sports revenue and various other revenues. So actual breakups we can share one-on-one.

Analyst

Okay, sir. Sir the other is, just wanted to check out, the programming cost increased likely for the year. Because for the first quarter, it's only 10% and we have a few sports properties lined up, plus the investment in content is going up. So any sense on the full year programming cost number?

Atul Das, Chief Strategy Officer

We won't be able to give you specific numbers here.

Analyst

Okay.

Atul Das, Chief Strategy Officer

As I was just answering to the previous question is that, yes. Our programming costs are likely to increase. And they would be subsequently followed by you know matching revenue increases because we are increasing the number of hours of programming.

So while it takes time, sometime to build that slot which could be a new slot, and therefore there could be a time gap between the time that the cost comes on board and the revenue comes on board, but barring that it should be on a normal basis.

Analyst

Sir just one question for Hitesh, the tax rate for the current quarter is I think about 37.6%. So I was just wondering why it's so high and what would be the full year number?

Hitesh Vakil, Chief Financial Officer

Well, tax provisions for the quarter is largely dependent on the profit before tax earned by subsidiaries in respective tax jurisdiction. So that composition can keep changing, but on an annualized basis, we'll have at around 30%.

Analyst

Okay, okay. Thanks for taking my question, I'll come back.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you very much. Our next question is from Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri

Congratulations on a good set of results. I wanted to -- we had put in five more beams into the new channels in our international, Zee Marathi, Kannada, Zing and Zee Smile. So is the benefit of that in terms of higher subscription revenues expected to come in the next few quarters, how would that pan out?

Atul Das, Chief Strategy Officer

Vikash, I think the additional services that we are providing is more as a value add to our customers. Yes, it will add to some revenues, but I don't think it will be a very big change.

Vikash Mantri

Okay. Second think, you said in your annual report we have trade receivables from Veria to the tune of 90 crores. Is there also some sales made and what is the nature of this?

Hitesh Vakil, Chief Financial Officer

These are not sales made to them, there are certain expenditures which we had decided to DEBIT it to them and hence we have now captured it as a recoverable from them.

Vikash Mantri

{C:Hitesh Vakil:} So it will come during the course.

Vikash Mantri

Okay. Fair enough sir.

Operator

Mr. Mantri, do you have any more questions?

Vikash Mantri

No. Thank you.

Operator

Thank you very much. Our next question is from Deepan Sankar of HSBC InvestDirect. Please go ahead.

Deepan Sankar

Yeah. Good afternoon sir. First of all congrats for your good set of numbers. I just want to understand the performance of MediaPro, and how does it help to improve our subscription revenues?

Punit Goenka, Managing Director and Chief Executive Officer

See, the MediaPro revenues are reflected as part of our subscription revenues. Just to clarify, subscription revenues we have are two components, one what we get from are markets outside of India which is reflected in the way we declare our international revenues which we typically report separately.

And the domestic subscription revenues, excluding sports, so domestic subscription revenue have two components, one is the sports component and the other things which are non-sports. So MediaPro is responsible for generating revenues for all channels except sports in the domestic market, so in that sense whatever domestic revenues that you see, a large part of that is because of the MediaPro joint venture.

Deepan Sankar

Okay. And what is your view on the implementation of digitization per se, they have kept the target as October, and if it gets implemented and if subscribers don't subscribe for the same then any miss would hit our GRPs during the festival season. So what is your view on the same?

Punit Goenka, Managing Director and Chief Executive Officer

See, I think digitization is eminent, it is going to happen, and from what we understand, the government is very very clear on the November 1 deadline. As far as the question of customers not taking up the digital set top boxes, those -- I think that is a matter which impacts the entire industry uniformly. So there's no harm to one entity, one broadcasters

Deepan Sankar

Okay. So you think this time it will happen definitely?

Punit Goenka, Managing Director and Chief Executive Officer

I think so, I think it should happen, I mean, I can't predict the future, but the industry is looking at actually implementing it by November 1st.

Deepan Sankar

Okay. Okay. Sir, thank you, sir.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you very much. Our next question is from Siddhart Goenka of JM Financials. Please go ahead.

Siddharth Goenka

Yeah, good afternoon and congratulation on the good set of numbers. Sir my first question is if you can throw some highlight,

what is the original programming hours at this point of time and how much is it likely to move up going forward?

Punit Goenka, Managing Director and Chief Executive Officer

Currently we're about 25 hours to 26 hours of original content on the flagship channel. It varies from regional channels, is varying from 30 hours to 42 hours or 43 hours and our intent is by end of this year to take that up to about between 32 hours to 34 hours, depending on how the market shapes up.

Siddharth Goenka

32 hours to 34 hours on our flagship channel?

Punit Goenka, Managing Director and Chief Executive Officer

Yes.

Siddharth Goenka

Okay. And sir my second question is on our -- if you look at the non-sports cost what we did in 4Q, it is down by around 6% in sequential basis, any particular reason, because if we look at the non-sports cost in 4Q it was some 5.2 billion, it is down to 4.9 billion?

Punit Goenka, Managing Director and Chief Executive Officer

See there would be some events which have caused that like Zee Cine Awards et cetera.

Siddharth Goenka

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

Which could be the cause of that happening.

Siddharth Goenka

That was the only reason behind this?

Punit Goenka, Managing Director and Chief Executive Officer

Hitesh, do you have reasons?

Hitesh Vakil, Chief Financial Officer

See, there are a lot of high cost movies also screened in the fourth quarter last year. So our non-sports business by and large the cost were more on Zee TV with the number of increased programming hours, Zee Cine Awards and the high cost movies.

Siddharth Goenka

But sir this quarter also we had a very high cost movie like Agneepath?

Hitesh Vakil, Chief Financial Officer

Yeah, but then certain events and other.

Siddharth Goenka

Okay.

Hitesh Vakil, Chief Financial Officer

you know, high cost movies perhaps were more in the fourth quarter as compared to the first quarter here. Siddharth if you want more details, Hitesh can give you offline.

Siddharth Goenka

Sure, sure, no issues. Sir one more last question, earlier we had given our sports loss guidance of around 65 crores to 70 crores for the year and we have already done 24 crores in first quarter and given that we have more cricketing series, especially India-centric cricket coming up. So are we maintaining this guidance or it will be higher moving forward?

Punit Goenka, Managing Director and Chief Executive Officer

Firstly, the first quarter loss is only 21 crores, but Atul you have to take the other one.

Atul Das, Chief Strategy Officer

Yeah, Siddharth, on the guidance of the sports losses, I think what we are maintaining is that we should have a far better and far improved performance compared to last year.

Siddharth Goenka

Okay.

Atul Das, Chief Strategy Officer

So while we ended up with 148 crores of losses on sports, I think in fiscal '13 we should be having a substantially improved number. I think the focus on a one single number would be difficult, as you know there are many variables which happen in sports and therefore it's very difficult to pin point a number. But from whatever the targets we have set for ourselves at the beginning of the fiscal, we continue to maintain that and there is no change.

Siddharth Goenka

Sure. Okay. Thank you so much. Fair enough. Thanks a lot. I'll come back if I have more queries. Thank you.

Operator

Thank you very much. Our next question is from Aashish Upganlawar of Spark Capital. Please go ahead. Mr. Aashish Upganlawar, you line has been unmuted. Please go ahead

Aashish Upganlawar

Yeah, hi. Just wanted to know, this 18% odd ad revenue growth, I mean it should ideally be more because of this GRP coming back in Hindi. But any sense that you can give us on how the regional language channels are performing overall on ad revenue growth compared than an Hindi one?

The regional segment is doing better. Though nothing very substantially different, but yeah, they continue to be strong.

Aashish Urganlawar

Okay. And though we don't give profitability on these genre wise, but some sense on whether the regional genre would be better margins still compared to the Hindi or the overall consol?

Atul Das, Chief Strategy Officer

Again, as you rightly said we don't give specific margins, but just to give you a sense that the margins are in the similar zones. So.....

Aashish Urganlawar

Okay.

Atul Das, Chief Strategy Officer

We cant give a very specific number, but they are all profitable and they are in a similar zone.

Aashish Urganlawar

Okay. Sir one more thing on the Tamil genre, do you really think that market is worth putting good money behind, because the political scenario could change, maybe four year hence. So do you still think that it's worth pushing a lot in terms of making a mark in that market?

Punit Goenka, Managing Director and Chief Executive Officer

Well, it's the second biggest market after Hindi.

Aashish Urganlawar

Yes.

Punit Goenka, Managing Director and Chief Executive Officer

In advertising terms alone it's more than 1,500 crores per annum.

Aashish Urganlawar

Yeah.

Punit Goenka, Managing Director and Chief Executive Officer Aashish Urganlawar

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

So it's something that we have consciously taken a decision to go after.

Aashish Urganlawar

Okay, okay. But what kind of monies can we put behind that, because it seems to be highly comparative as far as the movies and the content is concerned overall?

Punit Goenka, Managing Director and Chief Executive Officer

Atul?

Atul Das, Chief Strategy Officer

So it will be a steady kind of approach. We are not going for some big bang direction there.

Aashish Urganlawar

Sure.

Atul Das, Chief Strategy Officer

I think we have been developing our business over the last couple of years, we have seen improvements there in the last one or one and half years and I think we'll continue a steady approach there.

Aashish Urganlawar

Okay.

Atul Das, Chief Strategy Officer

So, can't talk about specific numbers or approach on that.

Aashish Urganlawar

Okay. Thank you. Thanks.

Thank you very much. Our next question is from Bajrang Bafna of Sunidhi Securities. Please go ahead.

Bajrang Bafna

Yes sir, my question pertains to domestic subscription revenue. Can we get a breakup of domestic subscription revenue between DTH and the digital side, the analog side, if you could provide that? And how do that trajectory will pan out over a period of time once we see that digitization is through and this analog mode comes into the digital mode? If you provide some sense on that, that how -- that part is going to be. Because currently your entire analog is based on the negotiation mode. So once it comes into digital mode, how would that particular trajectory will pan out?

Atul Das, Chief Strategy Officer

Mr. Bafna, we are unfortunately not able to split the revenue numbers between cable and DTH.

Bajrang Bafna

Yes.

Atul Das, Chief Strategy Officer

We used to give that about a year back. But since our revenues are now handled by MediaPro, which gives us a license fee and therefore we are not able to really split out DTH versus cable, and that's the reason why we don't split it out now as we used to do earlier.

But now, just to give you a sense that on a broad terms, our cable revenues and DTH revenues are more or less similar. And the trend in future will very much be dictated as to how digital markets move. So in the first phase of digitization, which as of now is

expected to be done by October end, and then another 38 cities will go for digitization as per the current deadline for -- by March 2013.

So given that scenario and depending on how many households actually opt for digital cable versus DTH, our revenue trajectory also could change in terms of how the growth will happen. But suffice to say that both the revenue streams are doing well at this stage and we are confident that our domestic subscription revenues will continue to do the way we have been recording in the last three to four quarters.

Bajrang Bafna

The only thing which I want to understand is currently if you will talk about the DTH market which is close to 41 million subscribers. And if you will talk about the analog which is close to 90 million subscribers. And whatever at this point of time maybe in three four years time this 90 million subscribers will either shift to digital or maybe DTH. But currently as you rightly pointed out that your DTH and the analog subscription revenues are more or less similar, but the major subscribers are currently sitting in the analog mode.

So can we see that over a period of time the trend changing and once the negotiation becomes the upfront payment like what TRAI has recommended, the things could be much more favorable for the Company?

Punit Goenka, Managing Director and Chief Executive Officer

So you rightly pointed out, that there are about 45 million, in fact 47 million plus gross DTH subscribers, but they are not really a paying subscribers because there is a jump there. The paying digital subscriber base on DTH would be closer to the 30 million mark. And a few million are on the digital cable right now.

So of course this total number will increase quite substantially over the next three to four years. And as you know the digital revenues are far more beneficial for the broadcasters purely because of the -- pure transparency, you get payed for every subscriber. So that trend will be very positive.

Bajrang Bafna

Sir on the net basis, just one thing the last part. On the net basis because currently in the analog mode, we are paying the carriage also. So the net subscription revenue basis, would this carriage will go away from the system and let's say three four years time and the net subscription revenue goes up substantially?

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

See, whether the carriage fee is going to be a reality even in the future, even in the digital form. But it will definitely reduce from the current high levels, because currently if you -- as you know, that the analog system can handle only 70 channels to 90 channels at best. That's where the negotiation power is in the benefit of the cable operator or the MSO.

Going forward, as per the tax mandate where they have to put up systems of 500 channels, it is definitely going to reduce, but carriage fees is a global phenomena and I think it will exist even in India going forward.

Bajrang Bafna

Yes. Thank you sir. Thanks a lot.

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Thank you.

Operator

Thank you very much. [Operator Instructions]. Our next question is from Amit Kumar of Kotak Institutional Equities. Please go ahead.

Amit Kumar

Yes. Thank you so much for the opportunity sir. In terms of an advertising growth, you broadly mentioned the market share expansion as a key driver. But if you were to look at specific programming or specific channels, which would you say has been a dominant factor in this particular quarter?

Atul?

Atul Das, Chief Strategy Officer

Amit, again we are constraint because we don't talk about specific businesses. And you have, I think GRP data's are as public as you can get. So you have all the numbers and you can see how the performance has been. I think across the board our performance has improved but we will not be able to talk about revenue as to which has contributed more or less.

Amit Kumar

Okay sure. Sir on the sports business side, I am just a little bit surprised, by the trend in sports cost structure, I think your third quarter sports cost was about a 100 crores, it jumped up to almost 185 in 4Q, it has again come down to 120. So was there almost a 60 crore to 70 crore kind of delta in start up cost of Ten Hd and Ten Golf, is that the right way to look at it?

Punit Goenka, Managing Director and Chief Executive Officer

No, it is not 60 crores delta, fourth quarter we also had matches, sports matches.

Amit Kumar

And sir which high cost property was there in 4Q? Would you recall?

Punit Goenka, Managing Director and Chief Executive Officer

It's a full basket, we didn't have an India match but we had full basket of properties across the board. And of course, not to exclude the fact that Ten Golf and Ten Hd was also there. That also is there but it's not entirely 60 crores.

Amit Kumar

Okay, would it be possible to put some sort of a number to start-up cost of these two channels?

Punit Goenka, Managing Director and Chief Executive Officer

It will be probably in the region of 25 to 30, odds, just I'm talking from top of that.

Amit Kumar

Sure, that's useful. My final question pertains to, again, I know something on the balance sheet essentially. There is almost 25% of the cash with the companies present in this Socrates Money Market Fund based out of Bermuda. And the Company doesn't really have any sort of operations there, and it seems to be a fairly opaque fund as well as geography. So any thoughts on this essentially? I mean what was the idea behind choosing this fund?

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Hitesh.

Hitesh Vakil, Chief Financial Officer

It is a standard fund as any other fund operating out of registered out of Bermuda and operating out of any other country. And these are all liquid funds. We can withdraw it as and when we want and that's what we have been doing it over a period and that's what we are doing it, we don't see anything opaque out of that.

Amit Kumar

Okay. There is not too much of information available about this fund?

Hitesh Vakil, Chief Financial Officer

I don't know why you have to independently look at it, you could have very well asked the Company and got the informations. but anyway its your choice. I can only say that these are all liquid funds available at the disposal of the Company. And we are in the process of liquidating also as and when the needs arises, we are earning good return out of that.

Amit Kumar

Okay.

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Amit, if you need more details you can talk to Hitesh offline.

Amit Kumar

Sure. Just a little off shoot of that. I understand this buyback is in operation. But the maximum price of the buyback is Rs.140, and the current market price is over and above, significantly over and above that. So what is, what are the payout plan for the future? Does that imply that Company is going to increase dividends going forward or is the the maximum price of the share buyback itself will go up?

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Atul?
Amit, we have talked about in the past also, I mean that dividend policy and announcement of dividend or decision of the dividend rest with the Board, so we won't be able to comment here right now.

But yes we have substantial cash on our books. We have a certain investment requirement for the business. And as we have said in the past that probably barring about 800 crores 900 crores for any possible investment or ramp up in our businesses or acquisition potential acquisition. We have cash which can be distributed to shareholders whichever way we choose to or the Board decides.

Amit Kumar

Sure, that is useful. Thank you so much.

Atul Das, Chief Strategy Officer

Yes.

Operator

Thank you very much. Our next question is from Meenakshi Dawar of IDFC. Please go ahead.

Meenakshi Dawar

Hello.

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Hello.

Meenakshi Dawar

Yeah. I was just looking for some more clarity on advertising revenue as we've shown a very good growth of 18%. If you can throw some light on what kind of volume growth are we seeing, and what's the kind of trend on the pricing side?

Punit Goenka, Managing Director and Chief Executive Officer

Yes, most of it I would say, let me talk about the industry first. From an industry perspective which is TV ad an industry. I don't think this quarter or around this time we have seen too much of rate increases coming through. But again relative to the industry since we have done better, we would have seen a mix of rate increases as well as some volumes.

Meenakshi Dawar Punit Goenka, Managing Director and Chief Executive Officer

As in our flagship channel, the DID L'il Masters, one of our non-fiction shows has done extremely well. It was the number one show and obviously it has led to improvement in rates as well as revenues. More specifically we can't get into the details, but as we have said revenues have been positively impacted for us vis-à-vis the industry.

Meenakshi Dawar

Okay. And also as you were mentioning before that outlook for advertising most of the people have downgraded the outlook. What's the sense for you for the year end as a industry as a whole, how much growth can we expect on advertising?

Punit Goenka, Managing Director and Chief Executive Officer

So for the industry since the start of the year, our expectation based on the economy how it's going and how the environment is around, we had expected about 7% to 9% growth coming through into television advertising. While, the economy has continued to show the numbers which are not so good but we still maintain that that's the zone that we should end up for television advertising. This we are talking about the industry as a whole, as a market as a whole.

Meenakshi Dawar

Right.

Punit Goenka, Managing Director and Chief Executive Officer

For this year unless of course things worsen as we go along. And to that extent of festive season, definitely is a more pronounced indicator of the trend if the trend reverses. As of now, we maintain that number.

Meenakshi Dawar

Okay. And would you like to highlight any specific sectors that you believe we will be doing better and are doing better?

Punit Goenka, Managing Director and Chief Executive Officer

So from an industry perspective, I think some of the sectors which are not doing so well are telecoms, autos, banking, which have

seen a slowdown as far as expenses are concerned. FMCG continues to do well. And most of the let's say traditional advertisers on television, which is FMCG consumer durables, they have continued to do well.

Meenakshi Dawar

Alright. Yes. Thank you very much, that's it from my side.
Thank you.

Operator

Thank you. Our next question is from Riken Gopani of Infina Finance. Please go ahead. Mr. Riken Gopani, I am sorry. You'll have to repeat your question please.

Riken Gopani

Hello, am I audible now?

Punit Goenka, Managing Director and Chief Executive Officer

Yes.

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Yes.

Riken Gopani

Basically I wanted to understand, in FY12 what would have been Zee and industry's ad revenue growth, first of all?

Punit Goenka, Managing Director and Chief Executive Officer

In FY12, we had actually lost some market share and our ad revenue growth was almost negligible. Industry would have seen very marginal growth. So we were maybe just about little lesser than the industry.

If you look at FY12 numbers of Zee, there were three reasons for which our revenues got impacted. One was of course the industry slowdown impact compared to FY11. Second was the fact that we had lesser sports properties in FY12 compared to FY11 and therefore naturally our revenues are also lesser on sports. And third was some impact of market share that we saw.

Riken Gopani

Okay. Sir, primarily if I wanted to ask you this is -- the delta seems to be quite large on the positive side this time around, whereas when we had a loss of market share, the revenue loss wasn't that large. So just wanted to understand how exactly does this play out given that there has been a strong 18% revenue growth on market share gains whereas the dip wasn't that large when you lost market share. So if you could throw some more perspective on this?

Punit Goenka, Managing Director and Chief Executive Officer

It is difficult for us to explain that phenomena, because I would say that we try to be as efficient as possible on that. But, you wouldn't put any relationship as to how should this work in general over a long term period?

Punit Goenka, Managing Director and Chief Executive Officer

See again that's a lot to do with our portfolio and we do emphasize it time and again that we have a portfolio of about 30 channels. And that helps us tie these gains and losses in different segments. So depending on how overall the branch has performed, I think

the numbers reflect that.

Right now I think this quarter our performance is more or less across the board doing well, and that is reflective of the strong growth. Last year, we had some misses in our market share targets. So that's the reason why we saw some stress on some segments. But the regionals have continued to grow. So it is a combination of the how the portfolio is done.

Riken Gopani

Okay. And next is on the movie buying budget. Do you share that number as to what would be your budget for this year and how was it last year?

Punit Goenka, Managing Director and Chief Executive Officer

Last year numbers are of course published in our annual reports. So last year, we did about 300 crores -- 328 crores to be precise of movie buying.

And every year we have some target in mind, but it depends on the availability of the quality of the movies and the pricing. So it's not a set number in something which is fixed in mind, but if you get the right movies at the right price you obviously have a higher spend on that or depending on how you assess the environment. So it can be anything between 100 crores to 200 crores, 250 crores.

Riken Gopani

Okay. So definitely not larger than the FY12 budget is how you would. Hello?

Punit Goenka, Managing Director and Chief Executive Officer

Yes.

Punit Goenka, Managing Director and Chief Executive Officer

Yes sir. Okay. Sir, lastly on the sports losses, I just wanted to understand one more thing. There is obviously be an impact of the rupee this year on that. But despite that impact we are guiding that it would be lower than what it was last year by quite a large amount. So just wanted to understand what would be the positive impacts that you see on the sports business this year?

Punit Goenka, Managing Director and Chief Executive Officer

See, on the sports business impact, ForEx is something that we cannot predict. So, obviously, let's say it's not build into our forecasts. So if the ForEx fluctuation is far more severe, then the numbers definitely could fluctuate. But given our

Riken Gopani

And assuming the current ForEx rates also they wouldn't change. I mean if they move from hereon it's a different story, but at this level, they won't change. Is that the right way to look at it?

Punit Goenka, Managing Director and Chief Executive Officer

Yes.

Riken Gopani

Alright. Yes, thanks a lot. That's it from my side.

Operator

Thank you very much. [Operator Instructions]. Our next question is from Rohit Dokania of Batlivala & Karani Securities.

Please go ahead.

Rohit Dokania

Yes, hi good afternoon sir. Thank you for the opportunity and congratulations on a good set of numbers. Just two related questions, one was that if I see your subscription, domestic subscription revenue on a like-to-like basis has declined by about 4.5%. So what could be the reason for that, I mean subscription revenues declining on a quarterly basis?

Atul Das, Chief Strategy Officer

Rohit, we actually just explained that at the start of the call. But I will just take you through it again.

Rohit Dokania

I am sorry, I miss it.

Atul Das, Chief Strategy Officer

No, problem. In the domestic subscription revenues last quarter which was fourth quarter fiscal 12.

Rohit Dokania

Sure.

Atul Das, Chief Strategy Officer Rohit Dokania

No, Atul I understand that, I'm saying on like-to-like basis, so if I put 16 crores for Q4 after removing the 50 crores.

Atul Das, Chief Strategy Officer

Okay, so.

Rohit Dokania

On a like-to-like basis decline by 4.5%. Yes.

Atul Das, Chief Strategy Officer

Okay so that number it's very difficult to really compare on a sequential basis for every year, for every quarter purely because in our domestic business, revenues can be lumpy based on how your contracts are negotiated. So not every quarter whatever the contracts are due usually get signed up at the appropriate time. So depending on when they get signed up revenues can get recognized in a particular quarter which is likely, which includes revenues for previous months also.

So to that extent there, there could be some lumpiness in revenues and therefore we would probably want to look at it more as an annual basis rather than a sequential basis on a regular basis.

Rohit Dokania

Sure, Atul.

Atul Das, Chief Strategy Officer

Because on a sequential basis whenever you look at numbers, if there are lumpiness in the net revenues, and we won't be constraint to report it every quarter as to what is the exact number.

Rohit Dokania

Sure, fair enough.

Atul Das, Chief Strategy Officer

Therefore the annual trends are more reflective of how the business is going.

Rohit Dokania

Yes, got it. So a related question to that, if I remember it right in the last quarter con-call. You had said that domestic subscription revenues should grow somewhere around mid teens to somewhere on the 20s number. So is that the

Atul Das, Chief Strategy Officer

Again we don't talk about a specific number, so I don't recall about talking about mid teens. But generally the environment seems to be positive because of the digitization happening. And because DTH continues to grow at a certain pace. So there is some positivity on the subscription revenues going forward on the domestic side, and that we continue to maintain. So which is, if you look at the last three four quarters, you have seen that trend.

Rohit Dokania

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

Atul Das, Chief Strategy Officer

Okay, thanks.

Operator

Thank you very much. Our next question is from Grishma Shah of Envision Capital. Please go ahead.

Grishma Shah

Two things, you would, given the increase in the market share that you have seen in there, do you think you will be able to outperform the targeted ad revenue growth for the industry?

Atul Das, Chief Strategy Officer

So, Grishma if we continue to do well which is how we think we will be running our business but if we continued to do well, yes it is very likely.

Grishma Shah

Okay. And there is something called as other sales and services in our revenue breakup that you've given. Can you explain what is that and that has just doubled year-on-year?

Atul Das, Chief Strategy Officer

See the other sales and services component actually is revenues that we get from sources other than advertising and subscription, and largely a big part of that is indication revenue. So whatever we have content in the library it's indicated to other networks and that's the revenue that we get.

Grishma Shah

But will it be like fluctuating every quarter, what is it?

Yes, it continue to fluctuate every quarter depending on the syndicated content. Big part of that is also sports. So depending on what rights we have in a particular quarter and what can be syndicated, the numbers keep fluctuating.

Grishma Shah

Okay, sir. Thank you and good luck.

Atul Das, Chief Strategy Officer

These are business revenue numbers. These are not any extraordinary or any other non-operating numbers.

Grishma Shah

Okay, fine. Thank you.

Operator

Thank you very much. Our next question is from Aakash Manghani of Girik Capital. Please go ahead.

Analyst

Yes. Good afternoon, sir. Sir, one question on digitization. I just wanted to understand, how your profitability will shape up over the next say three to four years once the entire analog base is digitized. I mean you indicated that for this year, you will be able to maintain exports margins of around 34%. But let's say over the next four to five years, the entire analog base moves to a digital, how would your margins shape up, some kind of guidance on that and also your ARPUs?

Atul Das, Chief Strategy Officer

Aakash, as far as margins impact because of digitization is concerned, you have to keep in mind two things. One is currently we are at Zee Entertainment at the top end of the industry margins, which is between let's say 25% to 30% range. And as digitization comes through, we will see a lot of revenues which are coming to us which technically has not much cost associated with it. But obviously when digitization happens, there will be opportunities which will come up in the business and we step up our investments also. So I don't think one can see a continued increase from secular margins forever. We will of course invest in our business. So I think as a guideline, 27% to 30% margin is something that one should keep in mind.

Analyst

Okay. Also currently what is your ARPU for the DTH and for the sports business?

Atul Das, Chief Strategy Officer Analyst

Okay.

Atul Das, Chief Strategy Officer

We will be not able to talk about ARPUs. But ARPUs one DTH in the industry ranges of for different players between Rs.150 to maybe Rs.180.

Analyst

So how much do you guys realize, I believe pit is around Rs.20 to Rs.21?

Atul Das, Chief Strategy Officer

Yes. So last when we reported the numbers, it was closer to 20.

Analyst

Okay.

Atul Das, Chief Strategy Officer

Post that we have not, I mean last one year we have not reported.

Analyst

Alright. Also lastly on your sports subscription revenues, roughly like by the end of FY12 you closed with how many subscribers for the sports business. You will understand your WD channel is pretty popular and now it should get big fill up because of the digitization. So what will be the number of subscribers in the sports business.

Atul Das, Chief Strategy Officer

No we can't get that out numbers separately.

Analyst

Okay. Alright sir. Thanks a lot and wish you all the best.

Atul Das, Chief Strategy Officer

Thanks so much.

Thank you very much. Our next question is from Abneesh Roy of Edelweiss Securities. Please go ahead.

Abneesh Roy

Sir two followup questions. Fear Files has done remarkably well and Dance India Dance also compared to last season has done better. So can you give some insights on why crime platform has worked this time, you've tried it earlier. So what went right, some color, I am not asking about your strategy, but some color?

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

I think Fear Files as a format because it's based on true stories and true incidents that people have experienced has connected well. And also the second part where we do get these experts who come and try and explain or give logic to these phenomenas that may happen, has worked. And on part of Dance India Dance, I think the children serials always do better than the regular seasons and that's something we have seen in the past as well.

Abneesh Roy

Sure. Sir last question is on new movies. You have shown in the past two quarters some big budget movies, recent movies. So any data point you can share how much is the contribution from there?

And second, if you see many investors have this concern that you are booking revenues in that quarter while costs will be over a longer time frame. So some comfort on the cockpit -- side on the new movies, if that could be very comforting?

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Since our existence, we have been amortizing films at the rate of 20% per annum for five years or the period of license if it is lesser. So we have not changed any policy in the past, in the recent time. As Atul mentioned, last year's total film acquisition budget that we spent was 328 crores, it could range anywhere between 100 crores to 250 crores in the future as well.

Abneesh Roy

And is that a meaningful contribution in first quarter or is that a meaningful contribution in first quarter, ad revenue, because bumped up 18%? Is the meaningful delta coming from the new movies or repeat ones of the recent movies?

Atul Das, Chief Strategy Officer

Abneesh, if you look at our, again to an answer that we were giving to an earlier question about the portfolio. We have such a large portfolio of which Zee TV is one of the channel and Zee TV has so many programs which one I mean if you are attributing a substantial revenue coming from maybe one or two movies, then it's slightly stretched imagination.

And last one, if Punit might allow. It's on HD channels. Currently if you see HD channels in India do not carry too much of advertising. So when is Zee likely to see advertising come meaningfully there? And from an ARPU front, again the same thing? When does Zee HD start contributing to our ARPU in a meaningful way?

Punit Goenka, Managing Director and Chief Executive Officer

So I think all the broadcasters are working with the government to allow advertising on HD channels. Currently as per our license that we have got for these channels we are not allowed to put advertising on it.

Abneesh Roy

Okay, and subscription. Yeah.

Punit Goenka, Managing Director and Chief Executive Officer

And subscription, as Atul mentioned that these are also licensed through MediaPro. So we are already getting revenues for these channels and I think it will continue to grow as HD subscribers keep getting added.

Abneesh Roy

No time frame, as in, when does it become substantial?

Punit Goenka, Managing Director and Chief Executive Officer

Well, digitization is what is our drive it, right. I mean currently if you look at the new subscribers that are getting acquired. Only about 6% to 7% are HD subscribers. So the number is not very significant as of now. But with digitization I do believe that this number will ramp up much faster.

Abneesh Roy

Okay. Punit, thanks and all best.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you very much. Due to time constraint, ladies and gentlemen we will now take our last question. It's a follow-up question from Hirav Desai of I Alpha Enterprises. Please go ahead.

Analyst Punit Goenka, Managing Director and Chief Executive Officer

So, even if you look at the strategy behind Ten Golf, there are about 200,000 registered golfers in this country.

Analyst

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

And that's the target audience we're looking at. If you look at these people, excuse me, their normal tip to their carrier is about Rs.200 whenever they play golf.

Analyst

Okay.

Punit Goenka, Managing Director and Chief Executive Officer

So our pricing strategy is aimed at the premium audiences. Therefore we do believe that it will have, it will find merit.

Analyst

Okay. Okay. Thanks a lot and all the best.

Punit Goenka, Managing Director and Chief Executive Officer

Thank you.

Operator

Thank you very much. I would now like to hand the conference back to Mr. Kanwaljeet Singh for closing comments.

Kanwaljeet Singh, Senior Manager, Corporate Strategy and Business Development

Thank you, Imba. 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 second quarter of fiscal 2013 or even earlier on a one-on-one basis. Thank you and have a great day.