Extraordinary Together

June 01, 2023

The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code Equity: 505537

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: ZEEL EQ

Dear Sirs,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Conference Call with Investors

This has reference to our intimation dated May 25, 2023, informing that the audio recording of the Conference Call with Investors, to discuss the Company's performance for Q4 & FY 2023, is uploaded on the website of the Company.

Please find enclosed the transcript of the above conference call held on May 25, 2023.

The said transcript has also been uploaded on the Company's website www.zee.com.

The above is for your information and record.

Thanking you,

Yours faithfully,
For Zee Entertainment Enterprises Limited

ASHISH RAMESH AGARWAL

Digitally signed by ASHISH RAMESH AGARWAL
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Ashish Agarwal
Company Secretary
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Encl: As above

Zee Entertainment Enterprises Limited

Q4 FY23 Earnings Conference Call

May 25, 2023

Transcript

MANAGEMENT:

Mr. Punit Goenka – Managing Director and CEO

Mr. Rohit Gupta – Chief Financial Officer

Mr. Mahesh Pratap Singh – Head Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of Zee Entertainment Enterprises Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mahesh Pratap Singh, Head of Investor Relations, Zee Entertainment Enterprises Limited. Thank you, and over to you, sir.

Mahesh Pratap Singh: Thank you, Dorwin.

Hi, everyone, and welcome to our Q4 FY '23 Earnings discussion. We have with us today our Managing Director and CEO, Mr. Punit Goenka, along with senior management team. We will start with the opening remarks from Mr. Goenka, followed by commentary on operating and financial performance by Mr. Rohit Gupta, our CFO.

We'll subsequently open the floor for questions and answers. Before we get started, I'd like to remind everyone that some of the statements made or discussed on today's conference call will be forward-looking in nature and must be viewed in conjunction with risks and uncertainties we face. The company does not undertake to update any of these forward-looking statements publicly. With that out of way, I'll now hand the call over to Mr. Goenka.

Punit Goenka: Thank you, Mahesh. Good evening, everyone. I hope all of you are doing well. Thank you for joining us this evening to discuss the company's performance during the 4th quarter and the financial year FY '22-'23.

I'll keep my comments brief as always, and would let our CFO, Rohit Gupta, take you through the operating metrics in greater detail. I understand that all of you are keen to get an update on the proposed merger with Sony. So let me address this point first. I recognize the time taken to achieve the required approvals. The legal matters are consuming a considerable amount of time in the overall process. But I assure you that the team is taking all the necessary steps in accordance with law to ensure that there are no further hindrances in the approval process. We are evaluating all legal options present before us to overcome any further hurdles.

As you all would have noted, the NCLT has recently dismissed the plea filed by a financial institution against the Zee, which is a noteworthy development. With this matters in the NCLT, there are even remotely connected to the company have been addressed. The ones remaining in the tribunal are not pertaining to Zee. We have the best of legal teams advising us, and I'm most certain that we are in safe hands. Hence, my focus continues to be on enhancing the business performance and completion of the merger.

As you all are aware, the merger has already received most of the regulatory clearances, including the ones from our esteemed shareholders, which reinforce the fact that it's value accretive for the industry at large. As an optimist, I remain hopeful that when we connect again, there will be some positive developments to share with all of you on the merger front.

The financial year '22-'23 saw the media and entertainment industry battling the macroeconomic headwinds with resilience and focusing on investments in further strengthening the business fundamentals. At Zee as well, the year was one of concerted efforts to enhancing the strategic aspects across all our key businesses. That said, the new fiscal brings in optimism, as we witness the overall market sentiment improving with the key advertisers set to increase their spend.

Despite the headwinds, we remained undeterred in our strategic approach towards the quarter. Our focused efforts and investments in content reflect our long-term strategic intent to further strengthen our market position. We further fortified our position as the number #2 entertainment network in the country. In fact, during the quarter, our viewership share gain was higher than the competition. We also witnessed an increase in viewership share across our linear channels in key markets, including South, North and East.

Significant efforts have been made in terms of content strategy for the Marathi market, and we are expecting that to translate into positive results over the current financial year. On digital, ZEE5 has been gaining ground quarter-on-quarter across all metrics. We had recently announced an expansive content slate of 111+ titles for ZEE5, which includes compelling originals, direct-to-digital films and theatrical releases in collaboration with renowned content creators. I'm certain that this will further enhance our unique value proposition to the consumers and attract newer audience segments to the platform.

As you are aware, several industry reports peg the segmental growth of digital ecosystem to be around 20% to 25% CAGR over the next 8 years. At Zee, we are significantly outpacing this growth and have doubled our quarterly revenue run rate in the matter of 8 quarters. That said, sustained investments in the long term amidst navigating the macroeconomic headwinds, strained our near-term financial performance. However, we have formulated a plan that is focused on higher growth and we remain well poised to capitalize on opportunities emerging across business segments during the year.

Taking a long-term view, I remain cautiously optimistic on the future as the inflationary headwinds ease and NTO-3.0 benefits flow in, resulting in positive signs of demand and growth. I am confident that we are well placed in the financial year '23-'24 to capitalize on growth opportunities. Our focus remains on generating higher shareholder value year-on-year, and we will strive to only grow higher from here.

On that note, I'd like to hand over the session to Rohit to share granular details about the financials and operating performance of the company during the quarter.

I look forward to interacting with you all during the Q&A session. Thank you. Over to you, Rohit.

Rohit Gupta: Thank you Puneet. Hello everyone and welcome to our Q4 earnings call. I'll discuss our financial performance for the quarter and full-year.

As Punit alluded, FY23 was a challenging year for the entire Media & Entertainment industry given weak Ad spending, prolonged delay in NTO implementation putting pressure on linear TV subscription revenues, and relatively subpar movie content performance. This operating environment has adversely impacted Zee entertainment’s performance for the year. In FY23 we also withdrew Zee Anmol from FTA, sacrificing revenues and viewership towards our long-term objective of strengthening pay-TV ecosystem. While we navigated these headwinds, we continued to invest in the enhancement of our capabilities across digital (ZEE5) and sports. Both these segments being relatively nascent, have needed investments in content, marketing and technology, intensifying impact on our overall profitability. We believe these investments are critical to being able to serve and delight our viewers and advertisers. Overall, in FY23 despite all the headwinds we have strived to balance near term financial profile of the business while making room for longer term strategic investments.

Now, specifically looking at Q4 operating environment, we continued to see muted Ad spending by FMCG brands during the quarter. On Subscription side, while NTO 3.0 came in effect from February 1st, 2023, there were a set of DPOs who went to courts challenging NTO 3.0 and did not sign the interconnection deal with broadcasters as per the provisions of NTO 3.0. This left us with no choice but to switch off our channels to these DPOs. While the standoff ended eventually with these DPOs signing new agreements, this situation impacted our Ad and Subscription revenues adversely during the switch-off.

On linear business we continue to be India's strong #2 TV Entertainment network and gained a healthy 40 bps viewership share during Q4-23, taking our viewership share to 16.6%. In FY23, we have had a good year in terms of linear viewership gains in most of our key frontline GEC channels. We have gained viewership share in FY23 over FY22 in Zee TV, Zee Tamil, Zee Telugu, Zee Kannada, Zee Bangla, Zee Odia, Zee Punjabi and Zee Keralam. We are focused on maintaining the momentum and hope to see Zee Marathi join the list as well in FY24.

On digital side, ZEE5 has posted a healthy quarter across financial and operating metrics. Our Q4-23 digital revenues are up 36% and while there is minor moderation in usage metrics QoQ, watch time has improved QoQ to 229 minutes. FY23 has been a great year for our digital and ZEE5 strategy, our original content is being well received, ZEE5 app user experience has significantly improved and healthy growth in revenue continues.

Now specifically coming to the financial performance, total operating revenue for FY23 is marginally lower by 1.2%, with higher "other sales and services" largely offsetting Ad revenue decline during the year. Total revenue for Q4-23 are down 9.0% YoY and are largely flat QoQ.

Ad revenue for FY23 declined 7.7% YoY due to Zee Anmol FTA withdrawal and weak Ad spending by brands in an inflationary environment. Ad revenues for Q4-23 are lower by 5.4% QoQ and 10.2% YoY. Q4-23 Ad revenues were also impacted by signal switch-off.

Subscription revenue for FY23 were up by 2.7%, led by growth in ZEE5 and Music, partially offset by decline in linear TV subscription. Subscription revenue for Q4-23 were lower by 5.3% QoQ and down 1% YoY. Adjusted for recognition of prior period subscription revenues from Siti network in Q3 FY23, QoQ Subscription revenue would have been largely flat. With NTO 3.0, we have taken some calibrated price hikes and are monitoring how that stabilises and flow to revenues over coming quarters in FY24.

Zee Music Company (ZMC) saw 79% YoY growth in the video views in FY23, highlighting strength of ZMC music catalogue and library. Total YouTube Subscriber's base of ZMC increased to 134mn from 117mn a year ago. ZMC is #2 music channel and continues to acquire over 50% of new Hindi movies titles. ZMC also recently renewed its multi-year global deal with YouTube and Meta to enable users to consume the label's catalogue of songs across the globe.

Coming to the movie business, during Q4-23, Zee Studios released 6 movies (2 Hindi and 4 regional). "Other Sales and Services" revenues in FY23 were up 27.9% on the back of higher number of movies produced and released, and syndication deals during the year. FY23 had 31 movies produced and released, compared to 23 in FY22. Zee Studios has also been winning hearts globally and earned a distinction of being the only studio from India to premiere 3 films at 3 different leading global film festivals in the same calendar year. During Q4-23, "Other Sales and Services" revenues were aided by higher theatrical and syndication revenue from movies like Thunivu and Mrs. Chatterjee vs Norway.

Now moving to costs and Profitability, in FY23, YoY overall operating cost has gone up by 9.1% due to higher content cost in movies, sustained investment in content, marketing and technology in ZEE5, and Sports. This has resulted in FY23 EBITDA margin coming in at 13.6% compared to 21.7% in FY22. Q4-23 EBITDA margins have come in at 7.2% due to accelerated investments in ZEE5, movie content cost and costs for ILT20 inaugural edition. We haven't fully optimized revenue potential for ILT20 this year as we opted to broadcast it is on existing TV channels, and hence this is not a reflection of sports longer term financial profile. During Q4-23, ZEE5 has also seen pickup in marketing along with ongoing investments in content and technology.

Also quickly touching upon Siti/DSRA, we have arrived on a settlement with IndusInd Bank and Standard Chartered Bank. IDBI is the only claim outstanding on DSRA now. The company has adequate provisions to meet its obligations for balance DSRA claims. Subsequent to the year end, due to continued legal proceedings and non-collections of balances for services, the company has discontinued its services to Siti across India except east.

PAT from continued operations for the year came in at Rs 2,514 mn and for Q4-23 came at Rs -729 mn. Net profit for the quarter and year was impacted by exceptional items outlined in our financial results. We are also in the process of discontinuing certain business or operations including Margo Network (Sugarbox) and our operations in Russia as part of our portfolio rationalization and conditions of impending merger. Impact of these have been accounted as discontinuing operations.

Moving in to FY24, we are expecting gradual recovery in Ad spends. While initial signs have been encouraging, it's too early to make any prediction on pace of recovery. We also expect NTO 3.0 price transmission, stabilisation and revenue translation during the year. While our investments will continue, with some tailwinds to revenue we are hoping to have more levers to manage profitability in FY24.

Back to you Mahesh

Mahesh Pratap Singh: Thanks, Rohit. Moving now to the Q&A session. Before we proceed to the Q&A session, I'd like to inform everyone that due to scheduled conflicts, Mr. Goenka will only be able to join us till 05:45 p.m. to answer questions. So request you to please prioritize your questions accordingly and restrict yourself to maximum of two questions. Feel free to join the queue back. Me and Rohit will stay back to answer the call until 06:00, and we can take all the bookkeeping or financial-related questions.

With that, I request the moderator to take the discussion forward for Q&A.

Moderator: Thank you very much. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: My first question is on ZEE5. So if I see digital businesses in other industries, the players are talking about control on cost and drive towards profitability. When I see ZEE5 numbers, Y-o-Y revenue is up INR 60 crores in this quarter, but losses are up INR 115 crores, so which means your cost has gone up Y-o-Y by INR 175 crores. So I wanted to understand in FY'24, how do you see the losses in this business. The revenues are increasing, but costs are increasing much higher. So what will be the plan for FY'24?

Punit Goenka: Abneesh, that's the only question?

Abneesh Roy: Yes, I have one more question. I'll ask that later.

Punit Goenka: So Abneesh, on the digital side for ZEE5, as I stated in my opening remarks, we are ramping up our content offering that we want to give to the consumer so that we make sure that we become the preferred option to be in the top #3 OTT platform, as I have mentioned previously in the other calls. Also, there have been investments on the technology side that we are having to make sure that we are a platform of choice from the consumer point of view.

So these are the investments that have taken the costs up. I don't think these are going to be recurring costs going forward. Of course, technology costs based on consumption, we will continue to monitor that or mirror that, but beyond that, the onetime investments are pretty much done now. Of course, content will be something that we have to continue to invest behind. But I am certain that from now the losses in ZEE5 will start to be moderated downwards.

Abneesh Roy: Sir, my second and last question is on your main business. So there, if I see your market share in terms of viewership, that's at a four-quarter high. So do you think now soon you'll start getting benefit of that?

And second is in terms of the linear subscription revenue, do you think now 7% to 8% CAGR is possible there, given the disruption is already done and now the court cases are also behind. So can you look at a 7% to 8% CAGR in linear subscription revenues?

Punit Goenka: So on the advertising front, certainly, we will start to see benefit of the market share gain that we have seen in the last four quarters. That should certainly start flowing, hopefully, post the Sports calendar that's currently running. And that's my expectation. Although it's still not very high in terms of the industry, growth levels are not seeing that kind of number. Although, I know, FMCG companies are talking about spending a lot more, but we are yet to see signs of that in reality.

On the subscription side, given the fact that Rohit talked about the kind of challenges we faced with some of the large DPOs in terms of them not signing the agreement, there will be some delay, but certainly, there will be certain growth that we are anticipating. Whether it will be 7%, 8% in the current year itself, it is hard to predict right now, but I do believe the trajectory will be towards growth. It's a question of balancing pricing versus churn.

Moderator: Thank you. The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: I have two questions. So the first is on the TV ad revenue outlook. So question is in light of IPL rights being split now between TV and digital and every day, we see this drama play out where somebody from one side says that digital has become bigger than TV and you have counterarguments also. So how are you looking at the TV ad market, if one takes a 3-4 year view and that is prime for a recovery in fiscal '24. But if you zoom out a little bit and look at a slightly, longer time frame. So that's question one.

Second question is on the subscription side. Now you are obviously, you've taken a very bold decision of, let's say, pulling your channels out of DD freedish and also now not providing your content to Siti, which is not making payments. So how are you thinking about the balance between reach and subscription revenue growth? And also, if you could cover a bit on subscription monetization via your TV, DTH and cable versus, say, our ZEE5 and Connected TV?

Punit Goenka: Yes. So your first question was the TV outlook, right? So for whatever you may be hearing about digital versus TV, let me assure you that television is still the prime mode of consumption of entertainment in this country, including for IPL. I don't know if you've seen the data, but the IPL viewership over last year has grown by almost 29%. And that is despite the fact that on digital it's available for free whereas on television it is paid for.

So for long-form content in this country and anywhere globally, television will remain the prime medium for consumption. So I am not really concerned about that. Of course, the growth pace on digital is much faster given the lower base and television maybe much slower given the penetration that television already enjoyed. So that's the first part.

On the subscription front, switching off a DPO is not something new to us or to the industry. It has happened to us many times in the past. And we do deal with the question of reach versus revenue. So it's a balanced trade-off that we do anytime we take those kind of decisions. And in this case, it was a conscious call for us to take that decision to switch off Siti cable, given that we have not been receiving payments for about nine months. And therefore, that's a call that we consciously took and I'm certain that, that will pay off in the long term for us.

Vivekanand Subbaraman: Okay. If I may just follow-up on the first question. So if you continue to believe that TV still has much bigger reach than digital. But if I were to hazard a guess on the growth trajectory, would you peg it at 7% to 10% CAGR growth for, say, 3-5 years or will it be lower, any color on that? That will help.

And the second follow-up on the subscription side is, could you help us understand the monetization on subscription versus that on ZEE5 and what can you do to get much more subscription revenue for ZEE5 potentially, if you shift to connected TV or new market opportunities there due to digitization?

Punit Goenka: So on the first part, definitely, the growth trajectory for advertising is going to be positive from television perspective. I don't want to give a percentage as we speak, given that we are just coming out of this entire macroeconomic situation that the country has been under. But certainly, the numbers that you are talking about are not unheard of. And I do believe that most of the agencies have given the number to that effect or in that ballpark, which is in the high single digit to potentially a low double-digit kind of a number. So I would like to believe that, that's what could be at the end at least for the next 3-5 years for the television business, in that ballpark range. So that's something I think we can go with.

On the subscription side, I think the two businesses are very different from linear to digital perspective. So I don't think we can kind of compare them equally. I think on the ZEE5 side, the team is working diligently to make sure that we get higher-and-higher subscription revenue by offering unique and more content, which is suited to people who are not on television consumption. And therefore, that's a separate audience segment that one is addressing. And television, I think we have to continue to do the balance, as I said earlier, of pricing versus churn. And that's the balance we have to keep and work towards.

Moderator: Thank you. We have the next question from the line of Jay Doshi from Kotak. Please go ahead.

Jay Doshi: My first question is, NSE, BSE or SEBI, any of these three entities, are they re-evaluating the approval that was granted for the merger?

Punit Goenka: So Jay, you'll see the order that has been uploaded on 19th of May by the NCLT after the hearing on 11th of May, right? Now basis that it is asking the NSE, BSE to potentially re-evaluate the NOC that they have given, including the fact that whether they have given the permission for the non-compete to be there. Whether NSE, BSE have taken cognizance of that and are doing it is something that I can't comment on because I'm not aware of that. But in our view, that order was completely incorrect because none of that actually transpired in the hearing of 11th, May. And therefore, you would have noticed that we have also challenged that in the NCLAT today, and we will know the outcome of that very soon.

Jay Doshi: And I think there was NCLT hearings were delayed because of some creditors who had approached NCLT. On that front, are more or less all disputes resolved now? Or is anything still pending?

Punit Goenka: So as I said in my opening remarks, all disputes that were remotely connected to Zee, I use the word remotely very, very distinctly because in our view, some of those cases also are not connected to Zee, have been resolved either through a legal route or through settlements, outside of the court. All those matters that remain in NCLT today, has no connection, whatsoever to Zee, and those are being disputed as we speak.

Jay Doshi: Understood. So the next hearing, I understand is on 16th of June. Is that right?

Punit Goenka: That’s correct.

Jay Doshi: And do you hope for, some clarification from BSE, NSE by then, before then? Or sorry, I am not on top of, what are the timeline, within which BSE or NSE have to revert and give a go ahead or whatever it is?

Punit Goenka: So as per the NCLT order, they have to revert before the next date of hearing. Whether they will revert or not, is something that's a question that I can't answer.

Jay Doshi: Correct. That’s helpful. Thank you so much. That’s all from my side. Thanks.

Punit Goenka: Thank you, Jay.

Moderator: Thank you. The next question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: Good evening and thank you, for taking my question. I have a question on the pricing of channels and subscription, you hope in general. So what transpired, when we raised the rate from the DPOs push-back. And after that, I just wanted to understand, did we roll back the prices or they finally agreed. How has the response been from the consumers? And is that a reflection of the market not being ready for any kind of price hike? And therefore, can we look at sort of flattish subscription growth going ahead or at least in FY'24, even if the NTO 3.0 gives us that flexibility?

Punit Goenka: So, the price hikes that were taken by the broadcasters did not get rolled back. We have rolled out precisely, what we had launched and those have been accepted by the DPO. The discounting is again standardized through the tariff order that is prescribed by the TRAI. So we cannot have differential discounting that, we can do across our platforms. And as I stated earlier, the increase in subscription revenue is a function of pricing and churn. If you noticed in the last three years, we've seen churn happening in the cable and DTH industry. Although DTH has now stabilized and the churn has pretty much gone away and it's quite stable for the last 4-5 quarters that, we have been noticing. The cable industry still continues to see some churn, but we are hopeful that, because the price increases that were taken were, very inflationary in nature, should not have a major impact for us. We may not see a large amount of growth in FY '24 itself. But certainly, subscription revenue in the medium to long term, will see at least inflationary growth coming in for the industry overall.

Abhishek Kumar: Sure. Second question is on Ad revenue. So this year, we have obviously, IPL is a little expanded and then we have World Cup. So in a year, where there are some large sporting events and with the fact that, those are now – anyway, the ad spending environment is not very strong, and it's probably, IPL being broadcasting for free, some of the advertisement might be offering for the digital platform, does that put any pressure on TV ads? How has the experience been in previous years, where there was multiple digital events in a year?

Punit Goenka: Even today, Abhishek, the strongest medium for advertising for IPL also is television. Our own estimate is that, it's attracting almost 3x the revenue that digital is attracting because of the sheer volume of viewership that it attracts. Digital despite being free, the pure medium being conducive to a 3.5, 4-inch screen is not the optimum method of consumption for long-form content. And as I said earlier, long-form content is best suited to be watched on television. And given the fact that, our country is not yet fully connected TV equipped, we are still going to be dependent on linear broadcast either through cable or satellite for at least, the foreseeable future. So from that perspective, I don't think, it's a threat for us at least in the foreseeable future from here.

Abhishek Kumar: That's helpful. That's all from my side. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: Yes. Thanks for the opportunity. I have a bookkeeping question. Can you share, what was the operational cost of conducting the ILT20 league in this quarter. And secondly, is it also possible to quantify, what was the loss in subscription and advertising revenue due to the blackout that prevailed momentarily effect?

Mahesh Pratap Singh: Actually, Jinesh, unfortunately, we're not going to be able to comment on that. We haven't provided either of those. So we won't be sharing or be able to give you that.

Jinesh Joshi: Okay, then let me rephrase my question. So, if you look at our EBITDA margins in this quarter, we were at about 7%. And if I look at the previous three quarters, we were in that band of about 15% to 17%. Obviously, some bit of a hit in margin would be because of the operational cost of ILT20 league. So going ahead in FY'24, I know you giving a margin outlook guidance may not serve the purpose, but will our journey to that 15% to 17% band be swift in 1Q, 2Q once the ad revenue recovers? Or do you feel that, the cost of ILT20 was not substantial enough and the margins could perhaps hover in this band?

Mahesh Pratap Singh: So let me take a shot at, Jinesh, and I'll ask Rohit and Punit if they want to add anything. When you look at this quarter's margin, it's not just ILT20, right? There are broadly three factors. One is, of course, the sports, which you spoke about. The second is, as you would have seen in other sales and services bump up, we have had a fair bit of active quarter in terms of movies. While this has come in, in revenue, it has also reflected in the cost structure of the business. So that's the second bit to think of. And thirdly, there is ongoing investment in ZEE5 as we continue to grow it. So when you look at the margin structure of this quarter, it's not just the 7% being a reflection of ILT20, keep that frame in mind. And of course, there's been additionally some revenue softness, which has driven negative operating leverage in terms of switch off and other things, which Rohit alluded to. Rohit, do you want to add?

Rohit Gupta: Yes. Thank Mahesh. Just one point. It's a point, I already mentioned during my call, but maybe missed. See, last quarter, we had also recognized revenues for Siti to the tune of about INR 58 crores, which was for the prior period and that had reflected in the reported EBITDA. So I think that is also to be considered.

Jinesh Joshi: Sure. One last question from my side. Can you please elaborate a bit more on reasons to discontinue the SugarBox business as such. Obviously, we would have had some plan in mind when we started it and something may not have worked out over the last 2-3 years. So any specific reason you would want to highlight over here? And have you taken a complete write-down, which is also what I want to know?

Punit Goenka: No, we have not taken a complete write down yet. The reasons are manyfold. But most importantly is the fact that given the current macroeconomic situation and secondly, the priorities of the company to focus on the capital allocation to priority businesses are the two main reasons why we have chosen to take that decision.

Beyond that, there is no other reason. And we are evaluating options as to how to look at hiving off or potentially even getting third-party investors in that business. But that's for us to talk later when we have more details. Right now, it is a decision that we have made as standalone business ourselves.

Operator: The next question is from the line of Arun Prasath from Avendus Spark. Please go ahead.

Arun Prasath: A couple of questions. First, I'm sorry if this is a repetitive, I joined late. The DAUs and MAUs are not in sync for last 3-4 quarters. I understand there is a bit of slowdown overall. But what this explains this continued underperformance in the digital, especially now that we have established there for the last 3-4 years. We have huge content. We have continuously been investing in the content. Is there any thoughts about slowing down the content with content being mostly on the digital side and do you see whether this will have any impact on the acquisitions or is it the required or is the current run rate is required to keep the subscriber base at this level? Is it something that we have valuated? That's my question number one.

Second is on the FTA part. Have we assessed what is the kind of opportunity loss because of withdrawing from FTA, now it's almost 12 months since the decision has been taken. And any thoughts of going back to that pool given that the overall macros slowdown, it will be a sizable revenue to have in our kitty.

Punit Goenka: So I'll take the second one, and then I'll ask Mahesh to cover the first one. On the FTA part, I think it's a collective decision that as an industry we took in the interest of the Pay-TV revenues. And we have seen the Pay-TV revenues fall arrest, especially on the DTH side, which is a positive sign for us. Of course, we had expected growth to come in, but which has not yet. But again, we have to look at it in the perspective of medium to long term rather than just a 1-year aspect. In terms of the loss on the FTA side, as of now, all of it is a pure loss. We have not seen any gain coming back to us. So the entire revenue that we were earning from FTA is a loss to us. What I can say to you confidently is that if we decide to go back to FTA, it will be an industry decision. It will not be an individualistic decision that we will make. And that's something that as an industry, we have committed and when I say industry, I'm not talking only about broadcasters, I'm talking about the broadcasting industry, along with the DPO industry. Mahesh, you want to take the rest.

Mahesh Pratap Singh: As I think Punit covered in his opening remarks, We've seen fairly healthy growth. If you look back, let's say, just a period of Q1 FY'22 as an example. From a revenue run rate standpoint, we were probably about INR 110 crores quarterly revenue run rate. In a span of 8 quarters where you look at Q4'23, we are run rating about INR 220 crores. So it's almost doubling revenue in last 8 quarters.

Now on your question of MAU, DAU, look, I think like we've explained before, the MAU, DAU and watch time are sort of input parameters but what eventually is important to look at is revenue. In initial year phases, we'll always be focused on driving higher MAU, DAU and driving higher sampling. But once you have a large enough sample size, then a lot of focus moves in engagement and what you want to do within the base, which is already consuming the content, right.

As an example, even for this quarter, when you'd have seen, while the MAU, DAU has seen some moderation, the watch time has gone up. So don't over index MAU, DAU. At some point, I think we did disclose those metrics early on because the business was nascent. But when you look at lot of large players, once you get to a certain critical mass and scale, the revenue becomes a lead indicator, and we will also eventually move to sort of streamline the reporting metrics in the long run in terms of how do we give you better metrics to give a shape of business. But I would urge you to anchor back to revenue sort of growth rate because QoQ MAU, DAU watch time will vary depending on what our marketing objectives are and revenue is a better reflection of what's happening in the business.

Arun Prasath: The price, large part of the revenue growth also comes from the pricing, which may not be sustainable going forward. So obviously, this user growth is what is the sustainable one. And it will indicate that whether we have reached steady state when it comes to reaching a certain scale or not. And then this business is a scale and high operating leverage when you grow users. So obviously, that is a very integral part of the business, right?

Mahesh Pratap Singh: No, I think, look, pricing has been one part of it, Arun, but it's not just all pricing, right. I think if we would have disclosed subscribers at some point, you'd have seen that. But pricing is one element of it, but it's not just entire pricing. We've seen fairly healthy adoption and increase in users as well. And at some point, I think the operating leverage point is correct. But keep in mind that a lot of initial costs have gone into step-up investments like technology. It's more like a 0 to 1 scenario. But YoY , it's not going to be multiplying or amplifying in that context. So yes, you're right about the fact that cost has been stepped up a lot, but that's really the nature and function of cost we have invested behind.

Punit Goenka: Also, the function of pricing is a factor of the amount of content we are putting out there. And if you look at from last year when we took the last price hike versus the amount of content that we are putting out now, that is commensurate to the kind of pricing that we can charge and what we believe people are willing to pay for it. And given that we have not seen a high level of churn despite the price increases, gives us the confidence that our content is now being liked and people are willing to pay for it.

Arun Prasath: So when you said churn is more or less stable, so what is the current level of churn. Any qualitative or quantitative information on the churn or how much churn has reduced compared to the previous year?

Mahesh Pratap Singh: We haven't given that out.

Arun Prasath: So what I get to understand is this is a steady state kind of a customer we have already used? Is it the message to take away?

Mahesh Pratap Singh: Look, there will always be some churn. It's not that if you got 100 customers in the beginning of the year, you're going to have the same 100. But the churn, given that we have a reasonably sharper focus on B2C customers versus some of the other players who do a lot more emphasis on B2B, we believe our customer base is sticky and to that extent, that reflects in churn dynamics compared to industry. But beyond that, given sensitivity and competitive nature of the information, we won't be able to get into granular details.

Moderator: The next question is from the line of Rushabh Sharedalal from Equirus Securities. Please go ahead.

Rushabh Sharedalal: My first question is on the case of JRC. So why are actually promoters so willing to settle – I mean, the company is so willing to – company is looking to settle promoter personal liabilities? That's my first question.

Mahesh Pratap Singh: Sorry, I'm not clear which case are you referring to?

Rushabh Sharedalal: Debt of JRC where basically the fact is – you had some INR 150 crores of loans that were extended to Cyquator Media Services Private Limited and Primat Infrapower & Multiventures Private Limited where Yes Bank had extended loan of INR 377 crores to Essel Infraprojects also and where Zee is a guarantor.

Mahesh Pratap Singh: Rushabh, I think you've got the name mix up. I'm not sure what you mean by JRC?

Rushabh Sharedalal: I'm sorry it's not JRC. It's JC Flowers.

Mahesh Pratap Singh: Okay. So look, I think if you'd have listened to the court proceedings and NCLT proceedings, like what Punit said in his remarks, from our standpoint, which is from company standpoint, anything which had any remote connection to the company has been taken care of. And there is no sort of -- no action or anything close to what you're implying in terms of company settling, which is not to do with company, I'm not sure where you get that impression from. But all the hearings have been public. Investors could come and listen to and we've been very clear about our stand against what is pertaining to the company and what doesn't pertain to the company.

Rushabh Sharedalal: Okay. Also, one question on the merger. So correct me if I'm wrong, but we actually had four hindrances in merger. Where the first one was the settlement of INR 211 crores of with the IPRS. The second one was the INR 83 crores settlement with IndusInd, which we have already done. And NCLT has already dismissed the plea against Zee for INR 150 crores. So where are we in terms of merger and how quickly can we get it done?

Mahesh Pratap Singh: I think, it's difficult for us to comment on a timeline, which is subject of legal process. So I'll refrain from giving any comment on timeline. Like you, we are also looking forward to it, and we are doing what we could to get to that closure. In terms of what is there in the court, most of the parties have argued that case. There was one party to argue. The next hearing is scheduled for 16th of June, and we will see where it goes from there on. But like I said, I'll reiterate again anything which had any connection with the company. Rohit spoke about IndusInd Bank, some of the other DSRA lenders like Standard Chartered Bank, you made a mention of IPRS. All this is sorted and done with. So anything which we could do in our control to get merger expedited is done from our part. Now of course, we will have to put our trust and faith in the legal system and go with it. And whatever legal action we can do in the journey are being pursued at all different forums.

Rushabh Sharedalal: Okay. Just getting back to my first question only. So I was referring to the JC Flowers' case, and these loans were extended two different entities of the promoter and Zee is a guarantor. So my question is, why is the company willing to settle the personal liabilities of the promoter? That was my question if I had miscommunicated in any manner?

Mahesh Pratap Singh: No. I don't think you miscommunicated, but the point about company looking to settle, and I'm only questioning that part. I'm not sure where you got that impression from.

Rushabh Sharedalal: Maybe, I'll take this offline. Thank you.

Moderator: Thank you. The next question is from the line of Vivekanand Subbaraman: from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: So Punit, if you're there or Mahesh and Rohit, you can address this. So as far as the pricing lever is concerned for ZEE5, just wanted to understand in terms of the headroom that you believe you have for more pricing-led growth, say, in fiscal '24 and '25 considering the fact that you now have invested in a lot more content, have a bigger library. So that's question one.

And the other question, Mahesh, I think you made this comment that you seem to have a sharper focus on B2C versus peers. So I'm just trying to understand when one looks at ZEE5 revenue through the various quarters, this year versus last year, could you call out the impact of B2B deals and any reset that you may have seen there so that we can better make out the growth that you have achieved in the B2C sector? Thank you.

Mahesh Pratap Singh: So let me take the second question first, Vivek. I think that won't be possible, B2B is a small universe. So it does become sensitive. B2B is an important part of our strategy, just that the dynamics or component may be different than where some of the other players are. So that would be difficult to split out and give you or point you to specific quarters where there have been bumps or pressures and so on. So I think you'll have to bear with us on that one. Sorry, can remind me on your first question, Vivek?

Vivekanand Subbaraman: So I was referring to the pricing levers that you may have now given that you've already pushed through a price increase? And if you would want to comment on any potential segmentation that you could work out now that you have a large enough library across multiple languages?

Mahesh Pratap Singh: Yes. Look, I think we are still one of the most compelling sort of scaled OTT play out there. When you compare our pricing versus, let's say, a lot of our peers, the pricing does leave a fair bit of headroom in that sense. And then, of course, there could also be tiers of it in terms of how you want to do with a 4K pricing different than what your base pricing is and so on and so forth. So the room exists, and we have done this in the last few quarters. If you remember that there was a phase when we went from INR 499 to INR 699. So there will be opportunities. But at this stage, there isn't any forward-looking guidance we want to give in terms of how would we think about.

I think it's going to be a function of, we do have certain revenue objectives in mind, which is a function of subscriber growth and yield or pricing we are driving and that gets translated into multiple strategic outcomes in terms of how you exercise pricing lever, B2B versus B2C and so on. But it will all come back to revenue growth, Vivek, and I think what we've done, our aspiration would be to sort of continue and building on it and the levers could change.

Rohit, do you want to add anything?

Rohit Gupta: No, you've already alluded. I think even in terms of your point on segmentation, a lot of initiatives we've taken. We have a mobile-only price, and like you said, 4K and then to there are different packs are available to consumers depending on the kind of content that they want to consume. And we've already taken two price hikes in the last few quarters. And like Mahesh said, there is room for more. We will obviously look at it based on the competitive intensity.

Moderator: Thank you. Ladies and gentlemen, for paucity of time, that would be our last question for today. I would now like to hand the conference over to Mr. Mahesh Pratap Singh for closing comments. Over to you, sir.

Mahesh Pratap Singh: Thank you, everyone. Thanks for joining us today. If any of your questions were unanswered, please feel free to reach out to us. Thanks for your interest in Zee Entertainment and look forward to speaking with all of you in the next quarter and maybe meet a lot of you in person through the quarter. Thank you so much. Have a great evening.

Moderator: Thank you. On behalf of Zee Entertainment Enterprises Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.