



Zee Entertainment Enterprises Limited Investor Conference Call
October 05, 2019

Moderator: Ladies and gentlemen, good day and welcome to Zee Entertainment Enterprises Limited Investor conference call. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bijal Shah. Thank you and over to you Sir!

Bijal Shah: Thank you Aman. Hello everyone and welcome to the call. This call is to update our investors on the disclosure regarding encumbrance to VTB and discuss the resolution plans for promoters’ debt. We have with us Mr. Punit Goenka, Managing Director and CEO, and who is also a part of the promoter family. We will start with a brief statement from Mr. Goenka, which will be followed by a Q&A session. Before I pass it on to Mr. Goenka, I would like to remind everyone that anything we say during the call that refers to our outlook for the future is a forward-looking statement and must be taken in the context of the risks that we face. Thank you and over to you Mr. Goenka!

Punit Goenka: Thank you Bijal. Good evening everybody. I would like to thank you all for joining us on a holiday. Let me start with providing a brief context to



the discourse made yesterday. The loan from VTB was taken in September 2017 though none of the Zee's shares were pledged to VTB and encumbrance on 10.7% stake was created under a structured arrangement.

As per the new SEBI circular dated August 7, 2019, the disclosure requirements have been extended beyond pledges to include any form of direct or indirect encumbrance. Therefore, the disclosure made yesterday is in compliance with the new SEBI circular.

I would like to clarify that there is no additional debt, which has been taken by the promoters and neither has VTB invoked any of the shares under the arrangement. Further the debt from VTB was always included in the total loan against shares disclosed to the market at various points in time. Just to recap, the promoter's loan against shares was Rs.135 billion as on January 26, 2019. This has been reduced by almost half through repayments from stake sale in Zee. The loan against shares now stands at approximately Rs.70 billion. Both the above numbers include the debt from VTB.

The Rs.70 billion is against shares of Zee as well as other listed and unlisted group companies. At present promoter stake in the company is approximately 22%. We are actively pursuing stake sale of group's media and non-media assets to potential investors. We are working towards the resolution of the promoters leverage issue in a quarter's time. Now we can open the floor for question and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is you said the lenders are aware of the VTB agreement, VTB loan at least, but do they know that indirectly there is a pledging, so if you could clarify on the pledging part also?



Punit Goenka: So, as I said that was not a direct pledge Abneesh, it was an indirect encumbrance that was created, and we have always maintained that the total outstanding of the promoters at various stages against shares we have disclosed whether it was 13,500 as on January or it is 7,000 as on today.

Abneesh Roy: And how does this indirect encumbrance work? Can they also sell because it is not directly Zee listed, what is the recourse VTB has in case there is any issue? So if you could clarify how the mechanism works?

Punit Goenka: Abneesh just like any other pledge security they could potentially invoke and sell, if they so chose to. Maturity on this is a little over one year now till pending.

Abneesh Roy: So before that they cannot sell?

Punit Goenka: Yes.

Abneesh Roy: And they do not hold Zee directly, but in case of the maturity they can sell Zee shares directly?

Punit Goenka: Sorry can you repeat the question, I did not understand it.

Abneesh Roy: Sir this is indirect encumbrance so you are saying the maturity is still around one year is left, so after one year if you are not able to pay VTB they can sell Zee shares directly or they hold the promoter share at the promoter entity?

Punit Goenka: No, they can sell the Zee shares directly by way of invocation. But having said that VTB is known to be a long-term player and they have worked with several promoters in situations like this to build value for themselves and for the promoter and I hope VTB will act in the same manner with us also.

Abneesh Roy: Sir my second question is the share price obviously has gone down, so what happens to the pledging? Normally when share price goes down you



need to top up in terms of pledging, is that a requirement or is it taken care in the standstill agreement?

Punit Goenka: Yes, we do not have any requirement for top ups as we see.

Abneesh Roy: Even in case of VTB?

Punit Goenka: Yes.

Abneesh Roy: And Sir lastly in terms of the standstill, the regulator has been saying they do not recognize. So, if you could clarify could there be any potential issue because there is six months period, so can regulator have some issue in terms of the overall implementation of this?

Punit Goenka: I cannot really comment on the regulators view of what they will do, but I can tell you the standstill has not changed the maturity of any of the lenders security, so that is still in place and therefore we should be okay.

Abneesh Roy: Okay Punit that is all from my side, I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Akshat Agarwal from CLSA India. Please go ahead.

Akshat Agarwal: You mentioned that the promoter holding is 22% currently, so does this include the potential sale of another 2.7% to Oppenheimer?

Punit Goenka: Yes it does.

Akshat Agarwal: That has already concluded, so the entire 11% has been sold?

Punit Goenka: No 2.3% is still balance out of the 11%.

Akshat Agarwal: So, another 2.3% is to be sold yet, it has not been sold?



Punit Goenka: Yes, because we are in the silent period, right now we cannot engage on that. So, we will engage with them after the silent period, but what I have known of them they are long-term shareholders and they will be committed to the company and to their agreement with us.

Akshat Agarwal: And once that is sold the 70 billion figure would also go down right, this does not include the potential procedure of the sale.

Punit Goenka: Absolutely correct.

Moderator: Thank you. The next question is from the line of Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani: Firstly I would just like to understand that similar to the collateral requirement at the domestic lenders, was there a similar requirement at VTB level, and are we in some sort of a standstill with them as well as of now or since there is one year maturity there is no particular covenant which is being breached as of now if you could just clarify on that?

Punit Goenka: See there are certain covenants we have with them, I do not want to get into the details of that on this call, but I can get my corporate team to look at it and come back to you on those things.

Riken Gopani: Right, but do you at least confirm that as of now you do have a standstill or there is some comfort that as investors we can have that VTB is not going to be in the market to or at least for one year there is not a reason why this should happen. Is there some comfort that we can get on that?

Punit Goenka: No, we are constantly in dialogue with VTB and I am sure they will act maturely along with us to ensure that value remains intact for themselves as well as to the promoters.

Riken Gopani: And just a followup on this, so this disclosure that has happened from VTB is as a part of a SEBI requirement or they chose to disclose it at their end,



just trying to understand because it has not come from Zee, it is come from VTB, so if you could help us understand that?

Punit Goenka: As I said as per SEBI circular dated August 7, 2019 this was a new requirement and therefore it was disclosed by VTB and we have also disclosed the same.

Riken Gopani: And Sir just lastly to clarify on the previous point that you just mentioned that the current stake is at 22% so that is adjusting for the 11% stake sale and whatever got sold because of invocation, so it includes the entire 11% is that understanding correct?

Punit Goenka: No, it includes 8.7% of that plus any invocation that may have happened till date.

Riken Gopani: Alright. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Dinesh Kulkarni from Mission Holdings. Please go ahead.

Dinesh Kulkarni: I wanted to know you mentioned your current stake is 22% right, so what percentage of that is pledged as of now including this disclosure?

Punit Goenka: Little over 90% is pledged.

Dinesh Kulkarni: Thanks, that is my question.

Moderator: Thank you. The next question is from the line of Arun Kumar from Unifi Capital. Please go ahead.

Arun Kumar: Could you give us a bifurcation Sir how much is against mutual funds and how much is against NBFCs and financial institutions?

Punit Goenka: No it is confidential information, difficult for us to share that.



Arun Kumar: And this 7000 Crores is loan against share may I know what is the total loan outstanding at the promoter level?

Punit Goenka: No, beyond the 7000 Crores all the other debt is in operating companies and not at promoter level.

Arun Kumar: Thank you.

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

Vivekanand S: Of the total 70 billion of debt, Punit a few days ago you had mentioned that money due to domestic lenders is around 50 billion. So does this mean that the 20 billion amount due to foreign lenders is entirely to VTB Bank, that is question one. And question two is in January when you had done call you had disclosed that you expect 200 billion of enterprise value from the non-media asset sale, of which 80 billion was equity value. So that implies 120 billion of loan in the operating companies in the non-media assets. Are those numbers still correct or is there change there and lastly there was a media article in mid September, which mentioned that the Delhi High Court arbitrator had instructed the group not to sell unpledged stake in Zee Entertainment, so does that mean is there any restriction in selling the unpledged stake 2% odd that you have right now?

Punit Goenka: Yes, so the first question yes the domestic loan is 50 billion and the offshore is 20 billion. These are ballparks do not hold me to the last anna pie. On your second question of the infra assets value, what we had discussed in January I do not think that holds true today. As you know the markets have worsened from that time, but we are working with potential investors for the infrastructure assets to derive maximum value that we can on the equity side. The debt numbers also would have changed since then because there would have been maturities and some debts would have been paid down, etc., so I do not have the current numbers, but as of January your numbers are in the ballpark correct. And Indiabulls, yes the Indiabulls



matter, firstly there so no loan against Zee shares that Indiabulls has. The High Court order given out was relating to Dr. Chandra's assets in its personal capacity that he cannot sell and especially the ones that are unencumbered, so therefore that has no impact on the Zee transaction or any other transaction for that matter.

Vivekanand S: Just one small detail regarding the foreign loan you mentioned the numbers are ballpark correct, but the foreign lender is there only one lender VTB Bank or are there other foreign lenders also?

Punit Goenka: No there is only one foreign lender.

Vivekanand S: Thank you Punit. Thanks so much for the clarification.

Moderator: Thank you. The next question is from the line of Satish Jain from Monifest Capital. Please go ahead.

Satish Jain: I wanted to ask about the monetization of the non-media assets. Now what is the progress there, has there been any interest, why is it taking so long because six months have gone by and the environment is getting tougher, so do you think that things can close down quickly in the near future or it will take time, because the value of the Zee shares have come off significantly, so I am sure the lenders would have already started getting uncomfortable?

Punit Goenka: No, Satish we are talking to people at advanced stages. The fact of the matter is that these things take time these are not easy assets to be sold. I can tell you when I say the quarter timeline that I am talking about, I am pretty confident that things will materialize within that. Also keep in mind the Zee stock has played off or was trading where it is trading without anybody giving any value to the operating metrics of the company, it is purely on the back of this overhang the stock is where it is. The company is still performing immaculately and you will see that within two weeks when we declare our Q2 results as well.



Satish Jain: Sure, but frankly speaking when the lenders they hold something as collateral, the value that they have because they are also answerable to their unit holders or whatever, so beyond a point it will become difficult for them as well. So I was just wondering if the timelines that you are talking of are going to be easy to achieve given the tough environment.

Punit Goenka: Satish given the situation nothing is easy, but we are working 24x7 to resolve the position. Also keep in mind we have almost paid half the debt down, so it is not that we have just sat on our backside and twiddled our thumbs. In today's market to pay off half the debt is also not an easy task, which we have been able to achieve, and I am confident that me and my team we should be able to achieve the timelines that we are talking about.

Satish Jain: Sure and sorry if I can just add one more question. On Dish TV, again there have been talks about the sale for a merger or an arrangement with Airtel. So I do not know whether you will be in a position to answer that, but that would also be a significant piece of the entire resolution plan?

Punit Goenka: Yes, I agree with you, but on this call I do not have liberty to answer those things. Let us talk about that separately and as a family we are pursuing all our options I can only tell you this much.

Satish Jain: And sorry if I can just slip in one more question. Is there still an opportunity for a strategic investor to come in because I think that can really add a lot of value to the stock because selling in the market or selling to a financial investor really erodes the value for all stakeholders including yourself?

Punit Goenka: Absolutely Satish, we are very much open to any strategic who may wish to participate and I am sure all of them are tracking what is happening in the company.

Moderator: Thank you Mr. Jain. We would request you to join the question queue for any followup as there are several participants waiting for their turn. We



will move to the next question that is from the line of Rishabh Chudgar from Enam Holdings. Please go ahead.

Rishabh Chudgar: Sir I just want a quick question, if I look at the current shareholding of the company and the market cap, the value of the stock of the promoter is close to 5000 odd Crores while our loan against shares, which is still left to be repaid is close to 7000 Crores, so how are we looking to mitigate the remaining 2000 odd Crores, what kind of assets are we looking to sell?

Punit Goenka: See there are other assets also Rishabh that is there at security, it is not as if it is only the Zee shares. And keep in mind, for a group of our size, some small loans may continue on a long-term structured basis. So, while we want to solve as big a problem as we can, but as I said we are looking at all options. And if we keep looking at this problem with yesterday's price, we never come to a solution. So, I think we have to always look forward and work towards finding whatever best solution we can in the interest of the lenders, in the interest of the equity shareholders and then finally if anything in the interest of the promoter.

Rishabh Chudgar: And just a follow-up on that Sir, how confident are we that we will be able to retain this 22% and look at other assets that the promoter family holds, to monetize those assets initially and then coming to Zee, so at the same time we have controlling power in Zee Entertainment?

Punit Goenka: Rishabh I also received all those WhatsApp messages since yesterday. Let me assure you that whatever stake the promoters are left with in Zee, whether it is single digit, whether it is 20%, 22% I am committed to this company for the foreseeable future and beyond. This is the only business that I run and I am passionate about and if the process will allow I will continue to run the company for the time to come.

Rishabh Chudgar: Thanks.



Moderator: Thank you. The next question is from the line of Nuno Fernandes from GW&K. Please go ahead.

Nuno Fernandes: I got three questions, the first one is can you tell us exactly the number of pledged directly or indirectly shares as of now?

Punit Goenka: Little over 90% of the 22% is pledged as of now.

Nuno Fernandes: Directly and indirectly both?

Punit Goenka: Correct.

Nuno Fernandes: So the second question is, I understand you cannot comment on any covenants with the VTB loan but can you comment whether any of the covenants has been breached as of now?

Punit Goenka: I will have to check that Mr. Fernandes. I do not have an answer for you right now looking at my team even on the table, but my team will get back to you on that.

Nuno Fernandes: And then the final question I think it is a difficult question, but I have to ask. If in the course of all of this process you and the promoters and the controlling holding company lose all of the shares that you have in Zee and you find out that you have no stake anymore in Zee personally as well as your family will you still be the CEO of the company?

Punit Goenka: If the new shareholders would so wish to and do the process to allow me to I will be happy to do it.

Nuno Fernandes: Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.



Himanshu Shah: Sir just couple of questions, can you just open on the balance Oppenheimer deal why is it taking so long we were expecting it to close it quite sooner balance 2.3%?

Punit Goenka: No, Sir there is a process that was to be followed, but since we hit the insider trading window we cannot complete the transaction and as I said earlier that we are engaging with them and once the window is over how to reengage and get the transaction completed.

Himanshu Shah: Can there be any risk with respect to either revision in price or the deal not going through with respect to the transaction?

Punit Goenka: As I said Invesco Oppenheimer is now the single largest shareholder after the promoters and they do know the value of this company. And therefore I do not think they should go back on anything on that, but only once I reengage with them will I know the details.

Himanshu Shah: Sir timelines mentioned by you that you expect to make the repayments within a quarter's time or something? I missed that part.

Punit Goenka: I said the three months is what we are looking at to solve those problems.

Himanshu Shah: Including the entire payment?

Punit Goenka: That is the objective.

Himanshu Shah: Lastly Sir is it fair to assume that for the Indian lenders the current holding that they have at current price while the loan against share is almost double the value of the shares that they are holding in current scenario?

Punit Goenka: As I said in my opening remarks the security that the local lenders have is not just Zee shares, they hold listed entities of the group plus non-listed entity assets as well. So yes, if you look at it purely on the Zee pledge, yes your answer would be in the ballpark correct, but with other securities the numbers will be very different.



- Himanshu Shah:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of John Long from New Silk Road. Please go ahead.
- John Long:** Punit, I just want to check for clarification purposes, do you know if the lenders have taken the SEBI accounting haircut on the debt you owe?
- Punit Goenka:** I would not be aware of that.
- John Long:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Alankar Garude from Macquarie. Please go ahead.
- Alankar Garude:** Firstly Punit, can you tell us how much of the promoter debt is due by March 2020?
- Punit Goenka:** I do not have those details here right now but as I said the maturity starts from early of Q4 end and they run all the way up to 2021.
- Alankar Garude:** Okay early Q4 so basically around January?
- Punit Goenka:** No end of Q4. And we are committed to resolving it much before the maturity.
- Alankar Garude:** Okay and secondly Punit, can you just help us because if I just look at the stock price somewhere around 10-15 September 2019, may be 15-20 days before the original deadline of September 30, 2019 it was significantly higher than what it is right now. So, what can possibly give you confidence that you might be able to conclude any further stake sale in Zee at closer to those levels or possibly the level at which Oppenheimer invested at so is there anything which gives you confidence on that front?



Punit Goenka: See my confidence only comes from the performance of the company. Beyond that anything that happens to stock price is not in my control. So, I can only say that we have to work to ensure that company continues to perform better than yesterday. Also keep in mind nobody is even considering the fact that the new tax announcement gives a Rs.300 Crores tax gain straight to the bottomline of the company. It baffles me that nobody wants to look at the performance of the company and is only focusing on the overhang due to promoter's leverage.

Alankar Garude: Understood and finally we already concluded the deal for one third of our solar assets. Now when you talk about the resolution within the next three months, should we expect that at least one amongst solar or road could possibly get concluded and monetize in the next three months?

Punit Goenka: I think so, we are working on that and definitely part of that will take care of some part of the debt as well.

Alankar Garude: Okay that is helpful Punit. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Two followups one is in the media it had come that the standstill agreement is there for six more months while you are saying that your endeavor will be to pay in three months. So actually do you have six months from the lenders?

Punit Goenka: Yes Abneesh. We do not want to comment on the timeline, but I am fully talking about what I am committing here as to my plan for repayment.

Abneesh Roy: Right and second now the stake is 22% so whoever has to sell have they already sold which got renegotiated at the end of September 30, 2019? So in the near-term it will not go down further?



Punit Goenka: Well I would hope so and given that we are working with all the lenders, talking to them on daily basis, but if somebody wants to lose money and sell his stock, I cannot really stop them. But definitely I would only say that if they work with us, their chances of recovering are much better and I hope better sense prevails.

Abneesh Roy: Okay Punit that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Sir continuing on one of the previous questions, regarding from the sale of the solar assets what timelines are we expecting the proceeds? I understand the part of the solar assets, some are under construction and some are already completed, so what sort of timelines are we looking on those?

Punit Goenka: I am hoping that it will get concluded definitely within Q3.

Yogesh Kirve: Okay and apart from solar assets, are there any other binding offers that company has right now, either for infrastructure or any of the listed stock?

Punit Goenka: We have binding on few of roads, not all but some of our roads.

Yogesh Kirve: Another clarification, so if you look at the domestic loans do the original maturity profile has relevance now because as a part of standstill we would be committed to think of entire debt by March 2020, is that right?

Punit Goenka: No that is not the objective that we are going to pay off by March 2020-2021. We want to pay off earlier on, but that is how we believe that, in the next three to six months nothing is even due, but we should be able to resolve this problem within next three months.

Yogesh Kirve: Sure. All the best. That is all from me.



Moderator: Thank you. The next question is from the line of GV Giri from IIFL. Please go ahead.

GV Giri: Question from my side is, number one what is your strategy on movies? You have been ramping up movie production a little bit, movie inventory a little bit recently so what is your strategy going forward over the next year or two years. And secondly the other question is a little bit tricky and how you would answer this, but you said you are pushing very hard for a deal, but you obviously need time to let your stock price recover and the higher the stock price the better chances that you will have a meaningful stake left when the dust settles down on this. So is not that a bit of contradiction and how do you view that?

Punit Goenka: Firstly, on the first question, I think please be a little patient and wait for the second quarter results. We will answer that question on that call, we will cover that in detail there. On the stock price, as I said earlier, I can only talk about the performance of the company. How the stock price performs beyond the performance of the company is not in my control. I have a certain timeline that I am working with internally and if that means it will be more than what I desire to lose in terms of stake in Zee, so be it. I have also stated clearly that even if I am left with a single digit holding, I am still willing to work for the company, if the due process allows for it. In fact, somebody even asked if I am left with nothing would I still want to work with the company, I said yes, I will be willing to work for the company even if zero stake is left, if the due process again so allows for it. So, I do not think the right now it has got maximizing value, it is about getting this problem resolved as a family and moving on in life for us.

GV Giri: Sure Punit, tough situation, all the best.

Moderator: Thank you. Ladies and gentlemen that would be the last question for today. On behalf of Zee Entertainment Enterprises Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.