

Q3 2012 Earnings Call - Sun TV

Dt-16 Feb'12

Operator

Ladies and gentlemen, good day and welcome to the Sun TV Q3 FY12 Earnings Conference Call, hosted by Enam Securities Private Limited. 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 questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Chirag Negandhi. Thank you and over to you, sir.

Chirag Negandhi

Thank you, Vinita.

At the outset, I would like to thank all of you for dialing in today's Sun TV's Q3 FY12 results call. The company will be represented by Mr. Anthony D'Silva, Group CEO; Mr. SL Narayanan Group, CFO; and Mr. Unnikrishnan, CFO.

I now request Mr. Unnikrishnan to take us through the results for the quarter. We will then open the floor to question-and-answers, once we have done with the presentation on the results. Mr. Unnikrishnan, please.

Yeah. Good evening, ladies and gentlemen. On behalf of the management of the company, I welcome you all to the participate in the earnings call of the quarter and the nine months ended 31 December, 2011.

I am joined on the call by Mr. Tony D'Silva, Group CEO; Mr. S.L. Narayanan, our Group CFO. I will just run you through the press release which we had circulated little earlier to all of you.

Sun TV Network has recorded total revenue of 1,330.36 crores for the nine months ended 31 December, 2011. It may be noted that in the nine months ended 31 December, 2010, the company has exceptional one-time revenue from the blockbuster movie Enthiran, which when adjusted reflects a growth of about 2.38% year-on-year. This growth ought to be viewed in the context of a generally sluggish trend cutting across all the sectors of economy.

It is also noteworthy to mention, that in a depressed market environment where large companies have rationalised spends of promotion, we have continued to maintain last year's advertising revenues. As regards our subscription business the Sun bouquet continues to make impressive gains, both nationally as well as worldwide. Our international revenues are up by 19% and the DTH revenues are up by a similar 19%.

The new legislation enacted by the parliament is expected to fast track the process of digitisation of the cable and the satellite broadcast industry. We believe that in the post digitisation scenario, both DTH and cable network companies will record big gains in the market shares, which in turn will prove to be an important upside to all broadcasters, who today are unable to capture the full revenue potential of the addressable market.

In the case of Sun TV, the benefits of digitisation will start with effect from July 1, 2012 with respect to the Chennai metropolitan area. The other key areas... metros of Bangalore and Hyderabad will commence, contributing to revenues to March 2013. These are large attachments for the Sun bouquet and hence a new legislation towards well and the company's process also.

We have also launched about 12 channels in the recent month, and today we command a strong bouquet of about 33 channels in the genres of general entertainment, movies, music, news, kids, comedy and action movies.

The Board has also announced, declared a third interim dividend of Rs. 2.50 per share on a face value of Rs. 5 per share. With this a total dividend declared by the Board so far for the financial year 2011, '12 is Rs. 8.75 equivalent to 175% on the face value of Rs. 5 per share as against the total dividend or a total similar dividend declared for the full financial year, 2011.

Thank you. We could go on to the Q&A

Questions And Answers

Operator

Thank you very much. We will now begin with the question-and-answer session. [Operator Instructions]. The first question is from the line of Shobhit from Motilal Oswal Securities. Kindly go ahead, sir.

Shobhit Khare

Good evening, sir. Thanks for the opportunity. My questions are one, what kind of improvement in subscription revenue is possible and what is the potential once the digitisation happens?

And the second question is that, what is the status of agreement with Arasu, and how will this mandatory digitisation change the scenario in Tamil Nadu?

Okay. Let me take your first question, this is Tony here.

In the first phase of digitalisation as stipulated by the government, it comes into effect from 1st of June. There are four cities which are... Sorry, hello?

Shobhit Khare

Yes sir, go ahead.

Anthony D'Silva, Group Chief Executive Officer

Of the four cities obviously, Chennai is in India. But among the four cities the total C&S of the estimated to be between 7 million to 9 million. Out of this almost more than 2 million is in Chennai.

The important thing also to remember in this space of digitalisation is, that while in the normal course of business just now a cable operator will give the main North Indian channels on his basic tier. And therefore the South Indian channels fall into a second lot of basic of channels that you would get. But in the mode of digitalisation, every South Indian home irrespective whether in any city tiers will want the South Indian channels, essentially the Sun Group of channels.

And I think there are more South Indians in North India than there are North Indians in South India. So, that should be a substantial growth for us in terms of addressable numbers. And these numbers should definitely come at the A-La-Carte pricing that we have, which would be much higher than the normal rates that you would get from the cable operator.

Shobhit Khare

Right.

Anthony D'Silva, Group Chief Executive Officer

So, in fact you will see a substantial upside upon this market.

Shobhit Khare

Okay. And on Arasu, what is the status?

Anthony D'Silva, Group Chief Executive Officer

We are in discussions. Any large operator takes time to... deals take time to get finalised. We are in discussions with them.

Shobhit Khare

Okay sir. Thanks a lot and all the best.

Thank you. The next question is from the line of Mr. Sachin Salgaonkar from Goldman Sachs. Please go ahead.

Sachin Salgaonkar

Sir, thank you for the call. I have two questions. My first question is, if you could us a break up of the revenues between ad subscription and movies in this quarter? And could also throw a little bit of light, I mean what was the key reason or on which division was the key reason for Q-o-Q decline in revenues?

And my second question is more on the lines of outlook. If we could through a little bit of light and how do you look at the ad spending in next 12 months, and how should we look at EBITDA margins in next 12 months? Thank you.

S L Narayanan, Head of Finance

I think, this is S L here. And I'll deal with the second part of your question first. I think the outlook for the ad spends and other revenue streams continued to be moderate because as you know generally we come through situation where every company has been off some kind of well tightening.

In fact I was just looking at all the FMCG results and most of them have alluded to margin expansion being driven by cutback on ad spends and promotions. So, definitely there has been some kind of cooling off of the growth rate that we have seen in the recent past and ad spends.

But I want to point out a very important empirical data here, the quarter that immediately followed the financial meltdown which is March 2009 we had a similar dip in revenues. And when the revenues came back it really came roaring back. And every time the spending goes back on to the trend line, the kind of gains that accrue to the Sun bouquet has always been disproportionate for the simple reason that the TV penetration in the four Southern states is very high. And the fact that we command a fairly impressive share of the eyeball. So it is but natural that any company which is willing to communicate to target audience chooses Sun TV as the most desirable platform. So we are not very bothered for this. I mean these blips come and go, but the long-term secular trend line, I don't think is getting disturbed at all.

So the ratings continue to be pretty strong. We are executing well. Even with these dip in revenues you can see that our margins, the operating margins and the net income margins have been maintained. So, I hope that gives you some kind of color. But I won't say that any kind of optimism can be expressed at least for the next couple of quarters. It's not bad, but it's not spectacular either.

Sachin Salgaonkar

Okay, sir. So, which essentially means that low single-digit is what turn a ballpark basis we might look at?

S L Narayanan, Head of Finance

No, I'd rather not guide you to any specific number. I am saying that there are no alarm bells, but we are cautiously optimistic, let's put it that way.

Sachin Salgaonkar

Okay, alright. And on the first question sir.

Yeah, so basically we had... see with 425 crore breakdown into ad revenues of 244, then broadcast fees of 41 crores, and then overseas subscription revenues of 24 crores, cable revenues of 29 crores, DTH of 84 crores, movie of 1 crore and miscellaneous others are 2 crores.

Sachin Salgaonkar

Okay. Sir and of all the dividends, the key decline... I mean the Q-o-Q decline in revenues was mainly led by ad spent? Is that a right observation?

S L Narayanan, Head of Finance

Look, no basically it's been led by the cable revenues and the movie. Movie, of course, is we had a phenomenal number as you recall. Enthiran was an impressive kind of a number.

Sachin Salgaonkar

Sir. No, sorry. I was looking at the Q-o-Q basis.

S L Narayanan, Head of Finance

Sequential?

Sachin Salgaonkar

Yes.

S L Narayanan, Head of Finance

Yeah. Sequential ad revenues have actually grown. We have grown --

V C Unnikrishnan, Chief Financial Officer

Grown 4%.

S L Narayanan, Head of Finance

4% sequentially.

Sachin Salgaonkar

Okay, got it. And so the decline was again from cable on a sequential basis?

V C Unnikrishnan, Chief Financial Officer Sachin Salgaonkar

Okay.

V C Unnikrishnan, Chief Financial Officer

So this 1 crore is sustainable of some old revenues.

S L Narayanan, Head of Finance

Actually on a sequential basis our overseas revenues have climbed by 33%.

Sachin Salgaonkar

Okay, got it. Thank you, Shyam.

S L Narayanan, Head of Finance

That's something we are just scratching the tip of the iceberg, there is a very large South Indian dance for a worldwide. And it's only now that we are really seeking out partners who can carry the signals, tap the potentials that exist across Malayalis and Tamalian population across the world. So we are very bullish on the overseas revenues.

Sachin Salgaonkar

Okay sir. Thanks a lot. Very helpful.

Operator

Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora

Sure. Thanks for the opportunity, sir. So the first question is on the cable revenue. So there has been a sharp decline sequentially. How do we look at it going forward? Like do you... like is it primarily because of Arasu only or is there any other issue also?

S L Narayanan, Head of Finance

No, that's the only one. In fact as Tony just mentioned, the discussions are in progress and there is absolutely nothing to even make us

suspect for a minute that the deal was not ready. It takes time because we are a very large player in the space here. So the discussions are very much on, and I think any time it will come through.

Kunal Vora Anthony D'Silva, Group Chief Executive Officer

This is Tony here. There are two components to your question.

Kunal Vora

Yeah.

Anthony D'Silva, Group Chief Executive Officer

Question number one is what happens to the analogue revenues in the light of how these revenues pan out once we are able to do some... cracks our deal in Tamil Nadu. I think if you look at the analogue growth inversely in India, the growth is very, very marginal, very miniscule, maybe 3%, 4%, 5%, it doesn't go substantially because the nature of the cable business which you are aware of.

In terms of digitalisation, I see a substantial growth. Because for the first time now every home in the country and phase one which is June of this year, you will have a market size of almost between 7 to 9 depends the way you look it of households which actually have to become digital.

In Chennai alone you are taking about a market of more than 2 million. Now, if you look at that market, plus the scope of so many South Indians in the rest of India, at least in these three city there is a substantial upside that we are looking at in terms of our revenues in all these markets.

As the market expand and as digitalisation expands, the revenues in South will grow, but the revenues which are very miniscule just now for South Indian... for our channels in the rest of India which are Northern markets will show a substantial increase. So, I see a large upside for the revenues for our channels across the country.

Kunal Vora

Sure, okay. Second one is on the new channel launches. You launched 12 channels this quarter like over the last few months. What is the strategy behind this and what will be the cost and revenue impact that we can see in the next one year?

Anthony D'Silva, Group Chief Executive Officer

See I think one of the key things that we got to remember in digitalisation is the consumers and customers will have a choice. And a lot of the new channels that we have launched like action movies and things, action channels, live channels, HD channels are all niche channel. There will be substantial pricing benefits on it, but they are niche channels. So customers will have a choice to pick and choose. And these have been launched keeping digitalisation in mind. So, we don't expect anything substantial as when in the near and the short-term, but yes, we are seeing a very bright future for it on the road ahead.

Kunal Vora

Can you quantify the impact, like what will be the cost structure like for these 12 channels and any revenue updates which you can quantify and you can expand here?

S L Narayanan, Head of Finance

In terms of cost, I think we would have more of spend on the history channels, so it should be around 30 crores to 40 crores over the next six months. And since the softwares are already available thus most for the other channels, we don't intend to spend much on those.

Kunal Vora

Okay. So, it's one-time CapEx which you have?

S L Narayanan, Head of Finance

Yeah, the CapEx cost on the history channels.

Kunal Vora

Sure. And revenue from this will be what like pay revenue only or ad revenue?

V C Unnikrishnan, Chief Financial Officer

It will pay revenue, largely pay revenue.

Kunal Vora

Great.

V C Unnikrishnan, Chief Financial Officer

History channels and the action channels are... we are launching more add pay-channels. So, I think we are looking more at pay revenue like Mr. Tony has mentioned.

Kunal Vora

Sure. Thanks. I have more questions, but I'll come back later. Thanks.

Operator

Thank you. The next question is from the line of Manoj Behera from Equirus Securities. Please go ahead.

Manoj Behera

Thank you for the opportunity. Just wanted to know about the movie business. This quarter we do not do a single movie. So, just wanted to understand what's the market. Is it becoming more difficult for us to acquire the distribution right of the movies or how is it looking in terms of in the market potential?

No, we still continue to buy a large volume of the satellite rights. But in terms of the movies for distribution, we didn't find really anything good. I mean only one big movie had come in the last quarter, which did not do well. So, we are very choosy about the movies we take for distribution. So, we didn't find anything good, so we haven't done. So, this quarter if we are able to get a good title or a star value movie, we will be taking that.

Manoj Behera

So, we will be continuing with 70 crore to 80 crore of budget for the movie production/distribution business?

V C Unnikrishnan, Chief Financial Officer

Yes, yes, that's top-line, I mean that indicative number still remains.

Manoj Behera

Okay, that's understood.

V C Unnikrishnan, Chief Financial Officer

It's just we didn't find a good pick, so we are not taking up anything.

Manoj Behera

Okay, that's understood. And the second question is regarding your debtor days. I mean in the previous quarter it had shot up to 100 odd days. So just wanted an update about the same.

V C Unnikrishnan, Chief Financial Officer

The numbers are under control. It come to around 90 days. So, we still continue to push and bring down the numbers by March.

Manoj Behera

Okay sir. That's it from my side. I will get back if I have more.

Operator

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

Siddharth Goenka

Yeah, good evening everyone, and thanks for the opportunity. Sir, I wanted the break-up of your D&A, depreciation and amortisation for this quarter?

Depreciation is 25 crores, amortization is 87 crores.

Siddharth Goenka

Okay. And this is largely, of course, because of the broadcasting rights?

V C Unnikrishnan, Chief Financial Officer

Yes, correct.

Siddharth Goenka

Right. And if you can throw any light on our performance, nine-month performance from Kal and SSM subsidiaries, and how has been in terms of revenues and profitability?

V C Unnikrishnan, Chief Financial Officer

I think top-line numbers has been reasonably okay. It's not been very high compared to what it was last year. But I think if we have a gross number of around 35 odd crores as the --

Siddharth Goenka

The gross number of 35?

V C Unnikrishnan, Chief Financial Officer

No sorry, 62 crores, both Kal and SSM together.

Siddharth Goenka

Okay. Just for the first nine months?

V C Unnikrishnan, Chief Financial Officer

Yes, correct.

Siddharth Goenka

Okay. And how much I mean... how much is the in terms of EBITDA performance, any impact?

V C Unnikrishnan, Chief Financial Officer

EBITDA is around 6 crores.
This is together?

V C Unnikrishnan, Chief Financial Officer

Yes, this is together, yes.

Siddharth Goenka

Yeah. And I believe SSM is still EBITDA negative?

V C Unnikrishnan, Chief Financial Officer

Yes, it continues to be.

Siddharth Goenka

And when are we expected to achieve this EBITDA positive in SSM?

V C Unnikrishnan, Chief Financial Officer

No, see I think we were... if you recollect we were mentioning that during this year we expected things to change. But with the market total environment being not very conducive, maybe it should take a year long. Because the top-line growth has to be significantly higher for us to achieve the EBITDA numbers.

Siddharth Goenka

Right.

V C Unnikrishnan, Chief Financial Officer

So, I think with the turnaround the market hopefully by the second half of what address then we should expect things to change.

Siddharth Goenka

Right. So by probably end of FY13 we might hope to achieve --

V C Unnikrishnan, Chief Financial Officer

Yeah, we better.

Siddharth Goenka S L Narayanan, Head of Finance

There is one upside that you might want to keep... there is sort of likely longer term. The phase three regulation it is possible to do

interconnect... the new location can network with the existing location.

Siddharth Goenka

Right, right, right.

S L Narayanan, Head of Finance

So, as you go forward, as you expand your footprint, you might get the benefits from operating leverage because the revenue may not have the same kind of cost of revenues. So that is an upside that is definitely there but, of course, the devil lies in detail.

Siddharth Goenka

Right.

S L Narayanan, Head of Finance

But the way it reads now, it doesn't seem to be that the kind of CapEx that will be required, will be miniscule in these new locations. And that's something which we hope will also turn out to be a short in the arm for the existing pitch.

Siddharth Goenka

Okay. Perfect. And on the subscription front my question is that how much has been the ARPUs and the paid DTH subscribers for this quarter?

V C Unnikrishnan, Chief Financial Officer

The DTH subscribers are on 7.43 or so million.

Siddharth Goenka

And just the question on the international subscription there has been a sharp rise on Q-on-Q basis.

V C Unnikrishnan, Chief Financial Officer

Right.

Siddharth Goenka Anthony D'Silva, Group Chief Executive Officer

I think two things should have happened really. One is, we have extended the footprint, we have got many more channels.

Siddharth Goenka

Okay.

Anthony D'Silva, Group Chief Executive Officer

And now on the U.S. and in Canada.

Siddharth Goenka

Right.

Anthony D'Silva, Group Chief Executive Officer

We have also strengthened our packages in the Middle East and provided our new platform.

V C Unnikrishnan, Chief Financial Officer

Multiple arrangements with existing doing.

Anthony D'Silva, Group Chief Executive Officer

We are trying to go away from some of the original exclusive arrangements and increasing the availability on different platforms like DTH or cable or IPTV. So that has resulted in giving us much higher numbers and accordingly higher ARPU also.

Siddharth Goenka

Right, right. So if you can disclose this number like how much is the paid subscribers for international subscription this quarter versus last quarter, any light on that?

Anthony D'Silva, Group Chief Executive Officer

No, I don't have the numbers at this point of time. I'll catch up with you.

Siddharth Goenka Operator

Thank you. The next question is from the line of Amit Kumar from Kotak Securities. Please go ahead.

Amit Kumar

Thank you so much for the opportunity. Sir just starting off with the bookkeeping question. To give the breakdown in depreciation and amortisation, I think 25 crores was the depreciation and rest amortisation. Could you please break the amortisation for telecast rights and Sun pictures?

V C Unnikrishnan, Chief Financial Officer

No telecast rights is 86 crores and Sun pictures are nothing, others is 1 crore.

Amit Kumar

Okay. So actually on a Y-o-Y basis this number has gone up quite considerably. I am just wondering was there a telecast of the Enthiran movie on the Tamil channel. I think you were keeping it with us for sometime. Did that telecast happen in this particular quarter?

V C Unnikrishnan, Chief Financial Officer

No, no. It did not happen in Q3.

Amit Kumar

Okay.

V C Unnikrishnan, Chief Financial Officer

We are holding with us.

Amit Kumar

So what would be driving this increase in terms of telecast rights cost? It's reasonably large, almost about 75% on a Y-o-Y basis?

V C Unnikrishnan, Chief Financial Officer

So basically I think the cost of movies do keep going up over the year, and since there is a lag effect of the movies getting telecasted. So that's how you have this steep increase in numbers.

Amit Kumar V C Unnikrishnan, Chief Financial Officer

I think Amit we have actually addressed this issue on the earlier call, where we see basically the cost of the satellite rights, so the volume which we end up spending on a year depends on the mix of movies we get from the various markets in terms of the, what is the prime artist performing.

So there are years when you have maybe a Telugu or a Tamil, the best of the stars giving one or two big blockbuster. So that year our cost will pickup and spend also is high. So when they finally come on to the air in the television, the cost for that particular quarter or for during the period in which we add the same goes up significantly.

So, it's very difficult for us to fix a ballpark growth number, because even though we still continue to maintain by almost 80%, 85% of the movies which gets telecast, to fix the number in terms of, an expansion of numbers is very difficult.

Amit Kumar

Okay. Not a problem. But would it be fair to say that whenever you telecast a big blockbuster on your network or on the channels, that has some benefit in terms of advertising as well?

V C Unnikrishnan, Chief Financial Officer

Yes. There is.

Amit Kumar

Sir, one final question from my side. Actually we have seen the sluggishness in the advertising environment for quite some time now. I mean at least as far as the listed FMCG players et cetera are concerned, there I mean advertising has been fairly sluggish post IPL. But this is the first time that we have actually seen Sun TV report on a Y-o-Y basis a negative advertising growth. In your view what has changed in this particular quarter? Or just an add-on to that are there any specific sectors that you would like to highlight which are driving this sluggishness specific to Sun TV?

S L Narayanan, Head of Finance

Amit, this is SL here. The most important change in my mind has been the price of muted GDP growth numbers. Because if you look at the recent past, even when the whole world was having issues, the growth in the Indian economy has been pretty robust.

For the first time we have had multiple pressure points coming in terms of fiscal deficits widening, interest rates going up, inflation that just could not be tamed. There all kinds of moving parts which lead to business confidence generally being somewhat down.

I think that's what has changed. But the good news is at least we have not degrown the way the rest of the phase has degrown. And even better news is on a sequential basis we have actually grown, whereas many players have either been flat or marginally down.

Amit Kumar

Okay. So any... so I mean in this business confidence, is this sort of gross support or any particular enter the market you highlight?

S L Narayanan, Head of Finance

No. You guys see these things at much closer detail than we do. But if I look around me, I look at what will be happening in telecom. All the guys, newbies who are spending a lot of money promoting their brands. They simply don't have where we don't know how to

do anything. So that is the big discontinuity.

And we look at auto sales and real estate sales, there are kind of interest rates that's been on, everybody has been reporting some kind of degrowth. I can't think of any single sector which has posted any impressive gains. The only sector which has grown in my mind is FMCG and that too staples like soaps and cereals and toothpaste. And they have done it by cutting ad spends. So, it seems to me that it's some kind of a perfect stock.

Amit Kumar

Okay, fine. I was actually looking at more from a Sun TV perspective that based on your internal MIS what kind of trends are being thrown out in terms of various sectors... and various sectors pending on the network. Anything that you would highlight which sort of would I understand on that side?

Anthony D'Silva, Group Chief Executive Officer

This is Tony here. I think just to add on what SL said. We are the largest platform in South and the leading platform in South. Therefore any improvement in the economy in general, the first beneficiary for all that will be Sun TV. So, I think if you look at it from our perspective of how we look at the growth, I think as the economy improves we should definitely start very much in parts and most other.

Amit Kumar

Sure. Thank you so much. I'll come back.

Operator

Thank you. The next question is from the line of Jitendra Kapoor from Reliance. Please go ahead.

Analyst

Good evening sir. This is Chitrangada this side. Hello?
Yes, go ahead please.

Analyst

I have couple of questions. One, relating to advertisement revenue that you have reported; first of all let me clarify. The average revenue recorded this quarter is around 244 crores, am I correct?

V C Unnikrishnan, Chief Financial Officer

Correct.

Analyst

Okay. Sir, this revenue growth is on account of volume growth or value growth? I believe we had taken some price hikes also about couple of quarters back across the bouquet. So it is basically an absorption of those price hikes?

S L Narayanan, Head of Finance

No, see it's going to be very difficult to find rates there, because the rates that we charge depends on the time slot and then it varies across channels. So to say how much is on account of price and how much on account of volume is going to be really, really difficult.

Analyst

Even if we get a general trend, I mean we would have seen some volume decline because of sluggishness in the environment, I

mean I am just taking forward the question my colleague has just asked, in the previous call?

S L Narayanan, Head of Finance

No. In fact, I don't even want to hazard the guess. I would like to think it is more on account of price and less on account of volume. But as I said, there is no science behind it because there is... we are doing great job for rates that are being charged for every 10 second. And that ranges again from a peak at the GEC channels to low in the kids channel and the music channel. So, it would be really difficult to give you any color on whether it's priced or volume?

Anthony D'Silva, Group Chief Executive Officer

I think in fact last year you would may like to consider the fact that whatever increase was taken very quite on turn back, was not disproportionate to what the industry. So it has really in or the price increase whatever it was, it wasn't keeping inline with the industry. So, if you are seeing whatever impact, I would say it's a combination of more combination than the environment than really the price effect that you hear.

Analyst

Okay. Sir, how much was the radios contribution to this advertising revenue?
It was about 3%, 3.5%.

Analyst

3%, 3.5% for both the radios.

V C Unnikrishnan, Chief Financial Officer

No, no.

Analyst

the standalone, the three channels, sorry.

V C Unnikrishnan, Chief Financial Officer

Yes, correct, correct. Pictures, only.

Analyst

Okay. Sir, in the last con-call if I recall it very correctly, you have said that there was one movie to be distributed to be released in the pipeline somewhere in December.

V C Unnikrishnan, Chief Financial Officer

Correct.

Analyst

So that movie got released or it has got been deferred or --

V C Unnikrishnan, Chief Financial Officer

That's what I just told Manoj earlier. That was movie we are looking at, but I think somehow finally we didn't feel the comfort of that and we didn't go ahead with the movie. In fact, the movie also didn't do well in the theaters and in the box office. So, I think the --

Analyst

Okay. We have not taken it our bouquet?

V C Unnikrishnan, Chief Financial Officer Analyst

So, going forward, do we have any pipeline for movies? I mean any releases?

V C Unnikrishnan, Chief Financial Officer

No nothing as on date nothing, but I think if we are still, I mean looking here from some good names to come in there at least in the next maybe a month or so, we should be taking it up.

Analyst

Okay. So, final bookkeeping question is how much is the net cash balance currently?

V C Unnikrishnan, Chief Financial Officer

About 450 crores.

Analyst

Okay, 450 crores. I mean the reason I am asking you is that your other income is pretty, I mean it has grown both on a sequential basis and then year-on-year. We had 650 crores odd last quarter's if I am not mistaken.

V C Unnikrishnan, Chief Financial Officer

Correct.

Analyst

So, I mean what is the reasons for the other income increase?

V C Unnikrishnan, Chief Financial Officer

No, no. I didn't get your point?

Analyst

Other income, sir.

V C Unnikrishnan, Chief Financial Officer

Yeah.
It is around 23 crores is it this quarter?

V C Unnikrishnan, Chief Financial Officer

Yes. 23 crores.

Analyst

Yes. So, last quarter it was I believe about 19 crores odd and second quarter I am talking about. And there was a cash balance about

650 crores that we had. So, in book interest income on the second quarter. But in third quarter, we actually see a cash decline about, I mean we see about 400 crores cash balance and other income is still sequentially very high. So, I just wanted to understand the reason for that, sir?

V C Unnikrishnan, Chief Financial Officer

See FC rate is got renewed during the last couple of quarters are in the higher rates. We are able to get for one-year close to 10 point, five to 10 points... 10%.

Analyst

Okay.

V C Unnikrishnan, Chief Financial Officer

So, the basis we booked in the new FDs or renewed that's been at the higher rate compared to what it was in past.

Analyst

Okay, okay, alright. Thank you. That's all from my side. Thank you.

Operator

Thank you very much. The next question is from the line of Arjun Khanna from Principal Mutual Funds. Please go ahead.

Arjun Khanna

Sure sir. Thank you for taking my question. My first question is in terms of the digitisation. How do you see the pricing of channels actually coming about? Do you see price sticking to it's earlier recommendation of those fixed prices allowing you a 7% that you see freeing of a pricing of channels?

Anthony D'Silva, Group Chief Executive Officer Arjun Khanna

So, we are talking about this cap trades at 42%.

Anthony D'Silva, Group Chief Executive Officer

That's right. That is what VH has been indicated. A specific notification of North from TRF to this effect is still to be awaited, but this is the indication that they have given. So that 42 film price still remains. So, I think it will make much better sense for us at least in case of Sun TV because it's a very strong channel and in digitalisation people will have a chance to pick and choose whatever they want. So, I think in terms of revenue, there is a much larger upside that we see for ourselves.

Arjun Khanna

Sure. They have been historically allowing that inflation rate of 7% increase. So is that something that we have taken?

Anthony D'Silva, Group Chief Executive Officer

Well, see 7% is not happened every year.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

There has been times when it was not happened for two years and three years.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

So I think the whole issue of pricing in terms of what should be the effective price, should it be driven by market forces, is there equitable distribution in the various platforms vis-à-vis the strength of the broadcasters to equally negotiate and discuss and arrive at a pricing. It's something which I think the RI is fully aware of. And I suppose sooner than later we have been directed by the Supreme Court to come out with the pricing model.

Arjun Khanna

Sure. We had challenged the 42%. What is the status currently on that?

Anthony D'Silva, Group Chief Executive Officer

The 42% was challenged. It went back to TDSAT. I think TDSAT is still on the process of reviewing it because the orders, there are conflicting orders because it gears with the AGR matter, the Supreme Court says that TDSAT has now passed.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

In terms of meet policies decisions.

Arjun Khanna

Sure, sure.

Anthony D'Silva, Group Chief Executive Officer

Automatically it boils down to does TDSAT have any right to decide on any policy matter of pricing or not.

Arjun Khanna

Sure, sure.

Anthony D'Silva, Group Chief Executive Officer

It's bit of a tricky case then I'd leave it best to the legal pundits to give an answer.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

This can be challenging, I will be successful or not, I really don't know. But as of today the pricing is the same DTM pricing as

indications of the TRAI.

Arjun Khanna

Sure. Just sort of understand, sir, your perspective since the digitisation is an important theme going forward. Say of the Rs. 100 that the ARPU say a DTH platform or a digital cable receives, what do you see the broadcaster share settling at 33, 35, 42 what's your expectation?

I think you cannot expect a miracle to happen overnight.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

It will happen over a period of time. It could well be up towards the kind of percentages that you are mentioning.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

That should be an ideal situation. But I think one cannot go away from the fact that one is transiting from an analogue environment into a digitalisation methodology, where you would have packages, bundles and also allocate channels.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

And customers for once will have a choice.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

But important thing to keep in mind is the transition. Because today at Rs. 150 or Rs. 200 or Rs. 300 whatever it is, customers possibly sees everything. It all depends how the operators ultimately package the channels, how they bundle the channels, what kind of benefits the government gives them to make their pricing attractive for consumers to start picking up the numbers.

Arjun Khanna

Right, right. My second question sir is in terms of the DTH revenues that we have shown. I understand this quarter if I got the number right was 84 crore?

Correct, yes.

Arjun Khanna

We had a similar numbers in the first quarter of FY12, where we did say 84 crores also. We mentioned we had 7.1 subscribers then we have 7.3 million now. So has there be a reduction in ARPU or has there been a mix change where our higher end channels have not

been as well subscribed?

Anthony D'Silva, Group Chief Executive Officer

No, I think it's a combination because last quarter, we had a part of it at the 50% pricing.

Arjun Khanna

Sure.

Anthony D'Silva, Group Chief Executive Officer

And this quarter it was mainly 42% pricing.

Arjun Khanna

Okay. So that's just been the... sure, sir.

V C Unnikrishnan, Chief Financial Officer

And we have also take that recognition of Supreme Court pricing.

Arjun Khanna

Sure, sure. And lastly in terms of the advertising rate hikes, given this tepid advertising scenario. And you did mention, we did have a substantial increase albeit while back. Historically we have also increased prices in Jan, that's been our season for increasing prices, though we did not do it post 2008. Is this something we are looking forward for this year or we may just passed year and look at the next year?

V C Unnikrishnan, Chief Financial Officer

So we are examining possibly, we might take a very small hike. I mean we are not taking a final decision on that. We are just looking at the market how things are improving. So we are not... as of date we are not taking any specific call. We may end up doing a very small hike if at all.

Arjun Khanna

So, this would be a mid-year probably in the first quarter of next year?

V C Unnikrishnan, Chief Financial Officer

Yes, it's applicable from the next quarter, right. Correct.

Arjun Khanna

Sure, sure. And just last question on utilisation, you did mention it's impossible to know the volume and pricing of an ad slot given that there are so many. But just on a qualitative basis, have our utilization levels dropped for say the prime time?

V C Unnikrishnan, Chief Financial Officer

No.

Arjun Khanna

Sure, sure. Thanks a lot sir. I really appreciate your time. Thank you.

Operator

Thank you. The next question is from the line of Sonaal Kohli from AIM Capital. Please go ahead.

Analyst

Hi. Thank you for giving me this opportunity. I have broadly two queries. The first one is regarding Arasu. Assuming that the tie-ups happened in some point of time. What kind of revenues doesn't seem, down at the market, would it be... will it be a small traction of what we were earning in the past or would it be a comparable to in the past? And whether those revenues would come to us in 2014 or they would come to us more like 2014 because the Tamil Nadu Government needs to have manpower to collect from the local subscribers for them to give it to you.

My second query was, in the event on this what are the risk you see to the digitisation theme? And would the larger part of the story be in 2014 considering execution takes time?

V C Unnikrishnan, Chief Financial Officer

See on the Arasu cable, I mean it is very difficult to read the number in terms of compared to what we have been receiving in the past. So until we impetus we are also as much as adapt as you are. So I think as and when we sign off the deal and we announce it, it will be there. And --

Anthony D'Silva, Group Chief Executive Officer

And as far as digitalisation is concerned, I think all broadcasters are very positive of the kind of upside in revenue. We are also accordingly very bullish about the growth on our revenues, because for the simple reason that as of now the main subscription revenues have been coming from the Southern markets. Our revenues from the rest of India, Northern India have not been very substantial. Because all the cable operator packages and prices its product.

Analyst

Sir, would you have any estimate of... just to give a perspective of the population outside South India versus the overall cable subscribers you have?

Anthony D'Silva, Group Chief Executive Officer

Well see, we are trying to get some data. It would be difficult to get that data. As you know India is a secular country, so the moment you get into trying to find about religion and caste and creed, you get into a bit of a tailspin. But yes, there is a substantial number.

Analyst

Sir when you say substantial sir, is it like 10%, 20% or it's even a larger number than that?

Anthony D'Silva, Group Chief Executive Officer

10%, 20% of --

Analyst

The total South Indian cable subscribers.

Anthony D'Silva, Group Chief Executive Officer

Sorry, I didn't get your question.

Analyst

You have South Indian subscribers which are currently your subscribers, and then cable subscribers in these states, and then you have South Indians living outside South India. So, I presume that they were not be more than 5%, 10% of the

Anthony D'Silva, Group Chief Executive Officer

Well, I would categorize this very simply. In the South of India or the South four states that we have which is Tamil Nadu, Karnataka, AP and Kerala and Pondicherry if you want to include, nobody can really exist without watching one or the other of the South Indian channel.

In the rest of India there is a sizable population of South Indians on whichever states. And as you know that one or the other of the Sun Group of channels is a leading channel in that particular state. So, everybody wants to watch it's own... his home town languages, home town products, to feel more comfortable at home, because that's where we come from.

Analyst

Sir, lastly on my first query regarding Arasu, even if you incur deal, would you expect revenues to happen in 2013 or considering the execution and difficulties for Arasu to collect revenues from the subscribers because you need execution on the ground? What that's largely be a 2014 story?

Anthony D'Silva, Group Chief Executive Officer

Let me answer this question. Arasu is a major MSO in the state of Tamil Nadu. As far as the broadcaster is concerned, the broadcasters enters into an agreement with the MSO which is Arasu. And Arasu is responsible for payment towards like any other investor anywhere in the country. So, whether they collect or they don't collect, the obligation of paying still remains to us.

Analyst

So, sir what would they bring to star in others, I mean they would have signed in agreements in last few months, would they have paid to these people?

Anthony D'Silva, Group Chief Executive Officer

I am sorry, I don't have privacy to their contracts.

Analyst

Okay. Thank you so much.

Operator

Thank you. Hello? The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani

Thank you. Sir, can you tell me what's the debt and cash balance? You said debt-cash is about 450 crores, but can you tell me about --

V C Unnikrishnan, Chief Financial Officer

There is no debt on the book.

Hiren Dasani

There is no debt on the book. So, we had about 173 crore as of September?

V C Unnikrishnan, Chief Financial Officer

All paid up.

Hiren Dasani

All paid up. So, all 450 crore in cash.

V C Unnikrishnan, Chief Financial Officer

Yes, that's right..

Hiren Dasani

So in that case, the net cash movement is like between 467 as of September to 450, right?

V C Unnikrishnan, Chief Financial Officer

Correct.

Hiren Dasani

Net cash is more or less constant.

V C Unnikrishnan, Chief Financial Officer

Yes.

Hiren Dasani

So, I mean would between the quarters other than the dividend pay out, which was announced in the second quarter interim dividend. Would there be an substantial out go?

V C Unnikrishnan, Chief Financial Officer

No. I think the larger payment is on the loan repayment and the tax on the final dividend and the interim dividend which we paid-off. And we have the rupee in acquisition of satellite rights about 80 odd crores.

Hiren Dasani

Okay, okay. The other question is sir, in the last quarter call, I think it was mentioned that on the overseas revenue side, there was some shortfall in the collections which was not recognized. So quarter-on-quarter increase between September and December quarter in the overseas revenues also include some overflow?

Yes. That's been accounted for.

Hiren Dasani

Okay. How much would that be? So, it would be like 2 crores, 3 crores or much higher than that?

V C Unnikrishnan, Chief Financial Officer

We are not carrying the break up at this point of time.

Hiren Dasani

Okay. And any ForEx depreciation related effect also in this light in the quarter?

V C Unnikrishnan, Chief Financial Officer

Yes. I mean in the other income we do have an amount on that.

Hiren Dasani

No, I was saying more in the overseas revenues?

V C Unnikrishnan, Chief Financial Officer

Yes overseas revenues, yes there is. There is a portion.

Hiren Dasani

Okay. Would it be quantifiable?

V C Unnikrishnan, Chief Financial Officer

No, it comes as part of the other income, so about 5 odd crores.

Hiren Dasani

Okay. So just to make myself clear the ForEx benefit because of the INR depreciation on the overseas revenue that benefit is booked in the other income and not in the revenue like?

V C Unnikrishnan, Chief Financial Officer

Correct, correct.

Okay, that's helpful. Sir, on the radio side, just one question is the, I mean, if I look at the half year numbers and what you have disclosed today, it seems that the radio has turned negative EBITDA this quarter, is it correct?

V C Unnikrishnan, Chief Financial Officer

See the --

Hiren Dasani

Kal and SSM?

V C Unnikrishnan, Chief Financial Officer

Pardon?

Hiren Dasani

Kal and SSM, I am talking about.

V C Unnikrishnan, Chief Financial Officer

No, at the EBITDA level they are still positive.

Hiren Dasani

See because you have said that 6.8 crore was the Kal EBITDA and 1 crore negative for the SSM for last year.

V C Unnikrishnan, Chief Financial Officer

No, no, no. No. no, I had mentioned 6 crores is the EBITDA number for the both the companies together; Kal and SSM together positive number.

Hiren Dasani

Yeah, that's what I am saying 6 crore for the quarter, right? Or for the nine months?

V C Unnikrishnan, Chief Financial Officer

For the nine months.

Hiren Dasani V C Unnikrishnan, Chief Financial Officer

Yes, I mean the market has not been really robust. So, I think radio also gets a share of the negative in SSM. So, that's why the growth was not as significant as we expected to be in the current year.

Hiren Dasani

Okay. And lastly sir on the HD and action channel side, I just don't understand will this always be advertisement free channels or it's more like a sampling which you are doing and then eventually advertisements will be there on this one as well?

Anthony D'Silva, Group Chief Executive Officer

Look these channels are basically being launched to monetize our Indian revenue and then digital environment. As their has been mainly for the addressable markets. We prefer to keep them for the current, away from any advertising, so that we can really monetize that.

While the markets that will evolve a change over a period of time it's very difficult to say because like in the United States, all channels today are HD. Now, if that happens over a couple of years, the situation could change in India also.

Hiren Dasani

Sure, sure. But is it fair to assume that even on a standalone pay revenue business, the channels make sense from profitability point of view?

Anthony D'Silva, Group Chief Executive Officer

See, any channel has its gestation period and the content is ultimately the king that will drive the service. So it will... we view there is a lot of our old existing content which has been shot in HD.

So it is... what happened tomorrow morning, if you get up and ask me, what will happen tomorrow, no broadcaster or no channel makes money immediately. It's a long-term project that we have, but we will definitely recover our net, quite a substantial amount of money in due course of time.

Hiren Dasani

Okay.

V C Unnikrishnan, Chief Financial Officer

As far as action movie channels are concerned, I mean we already have a good software library, so it's only reusing of the existing software. So I don't think we have any major spend on that. Like I mentioned earlier about 35 crores to 40 crores is what we would spend on the CapEx or the equipments, in HD cameras and the other related equipments for transmission. So that's a one-off which would get comfortably covered over the year or so.

Okay. I know there has been some discussion on the call earlier about the advertising revenue. But if you look at the March '09 quarter

which you said was just up to the financial crisis, even there we had about 9%, 9.5% positive Y-o-Y growth. Whereas this quarter we are like down 6.5%. And I don't think the broader environment is as bad as post I mean Lehman crisis. So I am little perplexed with the negative advertising growth.

S L Narayanan, Head of Finance

No. There was sequentially it did I will say year-on-year between quarter March 2009 or about December 2008 was down.

Hiren Dasani

Yes, sir. But I mean obviously this quarter is a festive season, right? I mean Diwali and all that, so it should have been expected that this quarter would have been be positive.

S L Narayanan, Head of Finance

No. But if you look at generally the data that's coming out of listed companies, almost everybody is flat or even marginally negative. So, the point that I was trying to make was despite all the sluggishness we will continue to grow.

Hiren Dasani

Okay, okay. Thank you very much.

Operator

Thank you. The next question is from the line of Vikas Mantri from ICICI Securities. Please go ahead.

Vikas Mantri

Good afternoon, sir, and thank you for taking my questions. I have two questions. One on the advertising front. Now while I appreciate the slowdown in the environment which has been discussed. Just wanted to highlight if you look at our ratings for our key channels which is the Tamil GEC channel. It has dropped from around average weekly ratings of 1,595 in last quarter... last year this quarter, as against 1,371 this year. Same if you look for our Telugu channel last year, we were at 852 average GRPs per week we have gone down to 639.

So the point here I am making here is we have had a 15% drop in GRPs in our Tamil channel and 25% in our Telugu channel. So, wouldn't it be true that not only is there a slowdown, but we are also facing lower ratings, which has pulled down our advertising growth or actually led to a decline?

Anthony D'Silva, Group Chief Executive Officer

Vikas, my answer to that is I don't have the figures of the top of my head to give you a comparative of the figures that you have mentioned. But if I look at in terms of... it has been growing. In fact our market share has been consistently moving upwards. Actually we had a support -- by this number, can we take this offline, because I don't think the difference is right. But in case there is something which is we were missed, then we will also learn something. But let's pass this question, let's take it offline.

Vikas Mantri

Perfect. Thanks.

S L Narayanan, Head of Finance

As for me, this difference is right, but we are happy to be corrected.

Vikas Mantri

Okay. And second thing sir on the subscription revenue, while we were expecting something to happen on the ground level with Arasu. Given that we have the strongest properties in Tamil Nadu, is it just not possible to go off for five days so that we can ask the Arasu or the customers will ask Arasu to get Sun TV online, and therefore you will get paid for?

I do not understand this significant delay that we are seeing or losing out on revenues from Arasu; b) in case whenever we have a deal, will we also get paid for the losses that we have seen in September and December quarter?

Anthony D'Silva, Group Chief Executive Officer

To answer to your first question, I think it is not that easy and answer to say to switch off somebody. We all know there are regulations and certain requirements of those regulations which have to be fulfilled as per the regulations, TRAI regulations.

And I think we understand the sentiments of the consumer. Rather than just going into a fight, we believe in our long-term relationship and maintaining our closeness with the consumer which is more important to us. We also believe that this matter will get sorted out in due course of time. That's the answer to the first part of it.

As far as the old revenues are concerned, I have my doubts about it. It's being discussed, but it is not likely that it will be prospected.

Vikas Mantri

Okay. Sir, just wanted to understand the regulatory front. How many days if you don't get paid for or something like that can we disconnect the MSO, any TRAI regulation on that?

Anthony D'Silva, Group Chief Executive Officer

See the regulation states that if somebody doesn't pay you, you have to give him a notice under Section IV. Then you have to give him a couple of days, seven days, eight days. But the point is you have to make agreement with the MSO. So in this case, only if they noticed.

Sorry?

Anthony D'Silva, Group Chief Executive Officer

In this case, I do not have an agreement with the MSO with Arasu. So, to whom do I give the notice to?

Vikas Mantri

Sir, I don't understand this process or this stand-off can continue for a near where you don't have an agreement and you can't even put in a notice or something like that. So, I don't understand how does this process start and end.

Anthony D'Silva, Group Chief Executive Officer

Well, that's an interesting process. Because as you know operators of various means ethical, unethical do get channels and it's very difficult to control that. So, basically the way that the industry works is you sign an agreement with an operator or MSO. Essentially the guy who is using your decode or IRD, if he defaults in your payments, you give him a switch-off notice and switch him off.

Vikas Mantri

Okay. So, we can only be hopeful of things to improve.

Anthony D'Silva, Group Chief Executive Officer

I think we can be very hopeful.

Vikas Mantri

Okay. Sir thanks for taking my questions, sir. And wishing you all the best of luck.

Anthony D'Silva, Group Chief Executive Officer

Thank you, Vikas.

Operator

Thank you. The next question is from the line of Mithun Srinivas from RBS. Please go ahead.

Analyst

Yeah hello, thanks for the opportunity. The first question is pertaining to the content CapEx. At the beginning of the year, you had given a guidance of spending about 150 crore to 160 crore for the full year of 2012. I just wanted to check how much have we done in the first nine months and what is the plan for the full year?

See content CapEx we had given for the purpose of acquisition of satellite rights which, is the largest software which we spent on.

Analyst

Right.

V C Unnikrishnan, Chief Financial Officer

We have spent close to about 185 odd crores on the acquisition of satellite rights in the first nine months.

Analyst

Okay. And sir any guidance on how much you might end up spending by the end of the year?

V C Unnikrishnan, Chief Financial Officer

I think if you recollect the statement I made to Amit earlier, the mix which we spent for the movies is depended on how the movies gets released. So I mean we really don't have a control on that. But I think going now we are at about 185 plus. So, we should end up with at least about 30 crores, 35 crores more for the full year.

Analyst

Okay. Right, sir. And you also mentioned that it depends on each year what kind of movies you get. But I mean is this a result of say something unusually high level of based on movies releasing in some of the key markets? Based on which like would you expect the CapEx to be under control in FY13 or is this a generalised cost inflation as well in this overall spending?

V C Unnikrishnan, Chief Financial Officer

No, I think see this is possibly the only spend we do for acquisition of content as the single perpetual owner for... single owner for a perpetual period. And these volumes are very important to us because this software is used by us across almost 50% or 60% of the channels we broadcast.

So the spend helps us over a period of time. Like in fact we had mentioned earlier, if you look at the action movie channels or even HD channels, the content which we occur in terms of the movie rights gets distributed across there. So, I mean like the spend is not something very unusual, but it is obviously linked to which happens across the four languages.

Analyst

Okay, alright sir. And the other related question is that, if I look at the depreciation and amortization number shared, over the last nine months, the D&A pertaining to the movie content excluding Sun Pictures is about 212 crores, so it's spending significantly ahead of what we've even spent for this year.

V C Unnikrishnan, Chief Financial Officer

Right. I didn't catch your question.

Analyst

No, the question was apart from say the some bit of increase in the CapEx for this year, is there any phenomenon where there is a more accelerated write-off of the content CapEx because of shorter time to window between when you acquire it and when you show it on TV?

V C Unnikrishnan, Chief Financial Officer

We do sometimes... I mean there are so other movies in possibly the Telugu space where we are able to get agreement signed off for telecast within nine months to one-year frame, compared to the couple of years which were normally happening in the past. So, there are some occasions when it comes to that. So, we do cashing on that opportunity as well.

Analyst

Okay. So that is increasingly happening this year?

V C Unnikrishnan, Chief Financial Officer

I wouldn't say increasingly happening. Again, I told the mix that we saw that every movie of the bigger ticket size we can get the chance to do it within this timeframe. If it is a smaller movie, we do get an opportunity. Bigger tickets takes little longer.

So, you have a mix in Telugu market and possibly in Tamil market. We do have an opportunity for certain movies to encash it, I mean telecast within period less than a year. So that's why the price, I mean the amortization numbers have been slightly higher.

Analyst

Okay, okay, alright. Understood. And sir, the second question is just wanted to understand, particularly with the Sun Direct. Given that you launched quite a few new channels, has any of the new channels really included in as part of the base pack with Sun Direct and has there been any kind of increase in the Hindi yield because of that?

V C Unnikrishnan, Chief Financial Officer

No, not immediately. Like we are in discussions with them and we are coming to... I mean we are offered our channels to all the DTH players and the talks are in process in terms of the pricing. Because like we mentioned earlier, we are looking at how the price point should catch up. I mean it's very difficult to say at this point of time, but it would take

Analyst

Okay. And sir, was there any kind of renegotiation or something on the annual kind of increase with any of the major customers on the DTH side for this quarter?

V C Unnikrishnan, Chief Financial Officer

No, no.

Analyst

Okay.

V C Unnikrishnan, Chief Financial Officer

Most of it has happened in the last couple of quarters.

Analyst

Okay. Alright. Yeah, yeah, thanks. The final question is, just if you can give the employee cost breakup between the employees and the directors remuneration please?

V C Unnikrishnan, Chief Financial Officer

You want it for the quarter?

Analyst

Yeah, for the quarter. And maybe for the previous quarter if you have in hand.

V C Unnikrishnan, Chief Financial Officer

For the quarter total salaries are on the 13 crores versus 28 crores. I mean 12 crores and 28 crores.

Analyst

12 and 28, and do you have the numbers for the previous quarter?

V C Unnikrishnan, Chief Financial Officer

For December 2010, it's about 10 and 38.

Sir, I meant September 2011?

V C Unnikrishnan, Chief Financial Officer

September 2011, it is around 12 and 29.

Analyst

12 and 29. Okay, great. Thanks. That's all from my side.

Operator

Thank you. [Operator Instructions]. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, thanks for the opportunity. My first question is radio. Phase three is coming. Wanted to get the essence on how aggressive we want to be, how big... I am not asking for the amount of funds to be located, but your aggression level in terms of say how many cities you want to go to?

S L Narayanan, Head of Finance

Abneesh this is SL here. We have been hearing this for sometime.

Abneesh Roy

Yes sir.

S L Narayanan, Head of Finance

But at the moment, I don't think our appetite extends beyond the most other states at this time. So, I don't think we are going to go very aggressive on this. Wherever there are opportunities to do networking.

Abneesh Roy

Yes.

S L Narayanan, Head of Finance

And this will be a case-by-case. Suppose there is some place than let's say Jharkhand co-exist quite conveniently with somewhere where you already have operation. On a case-by-case, we will look at rest of India. But otherwise I think we will in this space perhaps concentrate on the both other states also.

Sir, in the opening remarks you mentioned that international still there is lot of potential left to be tapped. And if you see there is a big gap between what you do and what the other listed entity does in terms of international subscription revenue. So, could you give us a long-term scenario, say three years and you'll have lot of... your actions getting into good results. What kind of growth you are targeting in the next three years timeframe from international subscription?

S L Narayanan, Head of Finance

Abneesh, I think that will be too much of a forward statement. I don't want to state any specific numbers in terms of growth because we are very strict about that. But I can say something out of empirical evidence.

I used to stay with my brother when he was in New Jersey. And then he moved to the city. I remember in 2003 all those tams who were living in Christian area, all of them used to get Sun TV on I think it was a service provider. And then he moved into the city of Manhattan because the community was killing him. And the Time Warner which is one of the biggest service providers, it's not fact side, but I know for a fact that just in Midtown alone there must be at least a 10,000 family which are either Tamil or Telugu or Kannada or Malayali.

So, I think the potential is enormous. We have just not put enough focus on that. I'll tell you the number of Sri Lankan Tamils alone in the Continent of Europe and in UK must be phenomenal potential. We have not gone anywhere close to those numbers. So suffice it to say, that this is something which we are targeting and we'll continue to grow this momentum.

Abneesh Roy

And in terms of focus when you say is now the team, energy, alliances everything in place, so focus can still take a lot of time, right?

S L Narayanan, Head of Finance

Yes, yes. In fact that's where lot of work has been done. So, as Tony said, we have really cast our net wide. And in fact, even including some of the newer, the small size exchanges which offer it on IPTV and all that, those are being kind of alliances that have been signed up recently which gives substantial diversification of the platform through which we can deliver this contract.

Abneesh Roy

Sir, my last question is on the advertising front. I think you have discussed enough time on this con-call on that, but it remains a kind of a puzzle. You never share your statewise ad revenues. But in terms of any trend reversal within Tamil Nadu, so your growth rate in Tamil Nadu versus the rest of the three states combined. Is there a sharper dip in Tamil Nadu, compared to the other three states in terms of ad revenue? I am not asking for a number or in terms of trend?

V C Unnikrishnan, Chief Financial Officer

No nothing significant that way, Abneesh..

Abneesh Roy V C Unnikrishnan, Chief Financial Officer

In the digitisation?

Abneesh Roy

Digitisation all four states combined, how many cities are coming into that? You mentioned some cities, but there must be more cities I

guess. Because overall 37, 38 cities are there?

V C Unnikrishnan, Chief Financial Officer

Yeah. That's about I think 14 some numbers were there. We'll have to get back to the --

S L Narayanan, Head of Finance

I mean we have it Abneesh, we will send it to you. Off hand I am not able to lay my hands on the paper --

Abneesh Roy

I'll be having that. My question not from the data perspective. So those 14 cities I will be having, I have that list. My question is more from the delta. Phase 1 is basically one city or maybe hardly one city, but phase two is the big one that we are looking forward to, right?

V C Unnikrishnan, Chief Financial Officer

Correct.

Abneesh Roy

Okay. Okay, sir, thanks and all the best, sir.

V C Unnikrishnan, Chief Financial Officer

Abneesh even in phase one, Chennai is today... I mean we have our channels without any pay. So, they are free channels now free to air now. So, when that change comes in there should be good support in numbers from the Chennai alone.

Abneesh Roy

But sir, Chennai was covered in earlier phase and you would have-to-have a alliance with Arasu to really get benefit of this, right? Without Arasu if delta station happens for example, you won't get any money, right?

V C Unnikrishnan, Chief Financial Officer Abneesh Roy

Okay, okay.

V C Unnikrishnan, Chief Financial Officer

So the six players would automatically invest, once the government makes it mandatory and cut-off like it has to happen on HD. They will extend possibly, but then the DTH player will cash in, in the gap.

Abneesh Roy

Okay. Yeah, that makes sense, sir. Okay, sir. Thanks.

V C Unnikrishnan, Chief Financial Officer

In any picture, we will have revenue for falling into upwards.

Abneesh Roy

Okay. Thanks, sir. Bye.

Corporate Participant

Bye.

Operator

Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia

Sir, just one question, could you share with us on non-Tamil Nadu analogue revenue growth if we had any?

V C Unnikrishnan, Chief Financial Officer

It's about 7%, 8%.

Ankit Kedia

Okay. And sir my second question which you just mentioned in the City of Chennai, we are still free-to-air. So will we go pay because Chennai is still in the cash? So then, are we expecting to go pay with digitisation?

No. No, Ankit that's what I was telling Abneesh. So if the Arasu... I mean if the government corporation is not able to take up the process of digitisation, then obviously the DTH players. See today it's a pay channels of DTH players are offering our channels. So, there would be a major shift to that. So until such time the government is able to get into that.

Ankit Kedia

No. If the government does it, but will we still be a free-to-air under normal digitisation process with Arasu with the time happen?

V C Unnikrishnan, Chief Financial Officer

No, no. Once the tie-up happens with the Arasu Cable, then we'll obviously have to re-look at the entire... I mean concept of free-to-air in the State of Chennai, I mean in the City of Chennai.

Ankit Kedia

Okay. The possibility is we could go main City of Chennai?

V C Unnikrishnan, Chief Financial Officer

Yes, we could, because it would help in the pay channel revenue as well from the analogue side, I mean from the digital side.

Ankit Kedia

Okay. That's helpful, sir. Thank you.

Operator

Thank you. The next question is from the line of Ritesh Rangwala from Morgan Stanley. Please go ahead.

Analyst

Thank you very much, but my questions already answered. Thank you.

Operator

Thank you. The next question is from the line of Rohit Dokania from Batlivala & Karani Securities. Please go ahead.

Rohit Dokania

Yeah, good evening, sir. Thank you for opportunity. Just two, three questions. Sir, Arasu has launched in Chennai because I believe they have not yet launched in Chennai right?

V C Unnikrishnan, Chief Financial Officer

We have not launched.

Rohit Dokania

Yes. So, I mean and which was that opportunity could be kind of through DTH I believe once the deadlines are set?

V C Unnikrishnan, Chief Financial Officer

Correct.

Rohit Dokania

Okay. And also sir, could you give us at least some sense of what pictures we could run into because of due 12 new channels that we have launched on the PVD front? Any broad indications would help in our modeling?

S L Narayanan, Head of Finance

Sorry, can you just repeat that, we just lost?

Rohit Dokania

Yeah, so I just wanted to know any broad indication of the losses that we could run into because of the new 12 channels that we have launched an annual run rate?

V C Unnikrishnan, Chief Financial Officer

No, we are not looking at any major loss, because if you look at the channels which we have launched.

Rohit Dokania

Sure.

V C Unnikrishnan, Chief Financial Officer

We have initially HD channels, which are basically the Sun TV, Sun Music, K TV and Gemini.

Rohit Dokania

Okay.

V C Unnikrishnan, Chief Financial Officer Rohit Dokania

Sure.

V C Unnikrishnan, Chief Financial Officer

And the live channels wouldn't have much of a quantum in terms of the CapEx. But I think we say for the HD channels you will be spending about 35 crores to 40 crores, that's a very small number compared to the overall revenue which we would get in the beginning to long-term.

Rohit Dokania

So sir, that's on a six months basis or an annual basis?

V C Unnikrishnan, Chief Financial Officer

Which one?

Rohit Dokania

That 35 crore to 40 crore?

V C Unnikrishnan, Chief Financial Officer

In over the next six months we will be. We already spend about 15 odd crores.

Rohit Dokania

So, in that thing you think you are talking about.

V C Unnikrishnan, Chief Financial Officer

Yeah, only the CapEx, one-time CapEx.

Rohit Dokania

Okay, okay. And sir just one final --

V C Unnikrishnan, Chief Financial Officer

It's just that way.

Sure, sure. Just one final question on the dividend payout has been close to 65% for the first nine months.

V C Unnikrishnan, Chief Financial Officer

Right.

Rohit Dokania

So, should we believe that this will be read for the full year? And also if you could throw some indication for FY13 as well?

V C Unnikrishnan, Chief Financial Officer

Wow! We don't want to get into that.

S L Narayanan, Head of Finance

See, I think the best way to... action speaks louder than words. That in fact the question which has come from a lot of investors as such.

Unfortunately we can't say that it will pay every quarter. There is too much of forward-looking statements. But at least we have consistently now demonstrated that this is the way forward. And I think suffice to say that we want to make sure that this is being maintained and becomes a trend.

Rohit Dokania

Sure, sure.

S L Narayanan, Head of Finance

Beyond this I don't want to say anything.

Rohit Dokania

Great sir. That was helpful and wish you all the very best. Thank you.

S L Narayanan, Head of Finance

Thank you.

Operator

Thank you. The next question is from the line of Gaurav Jalan from Avant Garde Wealth Management. Please go ahead. Yeah. Could you tell me how much you spent on particular fixed assets for the nine months and what expectation is for the full year?

V C Unnikrishnan, Chief Financial Officer

I don't have that number at this time Gaurav.

Gaurav Jalan

Okay. But approximately for the year how much is at this time?

V C Unnikrishnan, Chief Financial Officer

See, normally ahead of any specific CapEx we spend mostly around 75 crores to 100 crores is the normal budget we have. This time since we are launching the HD channels we have said we will have an additional number of about 35 crores to 40 crores.

Gaurav Jalan

Okay. So, I am just curious I mean I didn't quite get the math on why your net cash actually balance decline this quarter because you generated a profit of around 170 crores. So, where did you actually end up spending money? You spend about I guess about 200 crores past this quarter right. So how did that happen?

V C Unnikrishnan, Chief Financial Officer

No, see we will have the... see, if you look at the period between maybe middle of September and October, close to about 400 crores of cash was spent towards the two interim dividends which we have paid out for the current financial year, the final dividend of the last financial year which is around 75% to which closer to 170 odd crores.

We also have the advance tax payments. We also had the management remuneration payroll to subsequent to the AGM passing their accounts. So, close to a 400 crores to 450 crores was spent in the gap of about one, one and half month. So we had if you remember that at the close of quarter two lowered against, I mean small debt of both 172 crores which also got paid out during current quarter.

Gaurav Jalan

Right., okay. Sir it's mostly the dividend payments that have led to this?

V C Unnikrishnan, Chief Financial Officer

Yes. Correct, correct.

Anthony D'Silva, Group Chief Executive Officer

Plus also that 175 crore of loan has been completely liquidated in Q3.

V C Unnikrishnan, Chief Financial Officer

That's taken against deposits. I mean we don't have any specific credit lines. So, we use the deposits and leverage on that.

Gaurav Jalan

Okay. Thank you.

Operator

Thank you. The last question is from the line of Amit Kumar from Kotak Securities. Please go ahead. Sir, he is no longer on the line.

V C Unnikrishnan, Chief Financial Officer

So, I think we draw this to a close because it's almost an hour and half we started. If there any further questions, we'll probably take them offline. I would like to thank everybody who participated in the call, and we'd like to call it a close for this evening.

Operator

Sir, he is back in the queue right now.

V C Unnikrishnan, Chief Financial Officer

Okay. Okay, we'll take it.

Operator

Kindly go ahead, sir.

Amit Kumar

Yeah, thank you so much for the opportunity again. I just want to follow-up on this last question as well. I think the 75 crore to 100 crore CapEx is something that you were doing when you were setting up your own offices and studios across the areas of operation. I thought that had already been completed. Is something left for this year as well?

V C Unnikrishnan, Chief Financial Officer

No, no. I think Amit what we had mentioned is 75 crores to 100 crores a normal routine CapEx which we spent.

Amit Kumar V C Unnikrishnan, Chief Financial Officer

So, the building we had allocated as for just building assets what we have in Chennai close to about 300 odd crores and we are also mentioned of an allocation about 200 crores for Kerala and Andhra Pradesh. But I mean we are still not identified any piece of land to get

our new offices on, so that's independent of this. The routine CapEx is around 75 crores to 100 crores what we have mentioned earlier, not for the buildings.

Amit Kumar

Okay, fine. In addition to that all I just really wanted to know was that out of this 2 million cable and satellite households in Chennai, how much in your estimation would already be cash/DTH? And what is going to happen to these CaaS households once the new regime sort of comes in, will these CaaS homes also convert to the new regime or they will continue with that Rs. 5 per pay channel kind of a set-up?

V C Unnikrishnan, Chief Financial Officer

I think it has to be interpretation from the government how they are going to because CaaS has been implemented in only about three or four states, and in states or cities in a very partial manner. So, how the new digitisation will... overall the existing CaaS and I don't think it has been defined or specifically mentioned in the enactment. So, we'll have to see how the government takes a call on that whether it would be overwriting the existing CaaS, then you'll have the issues which you mentioned now.

Amit Kumar

Okay. And with a little question, how much is the CaaS and DTH out of this 2 million we are talking about in Chennai?

V C Unnikrishnan, Chief Financial Officer

The CaaS population is very, very minimal, because when the CaaS was introduced I think way back in 2001 or '02, I don't remember exact here. But I think the number of people who are willing to shift to the set-up box are very miniscule number. But DTH obviously yes in the last three, four years has grown to substantial numbers. I think you had asked me this question actually, I don't have the exact data point, I'll come back to you on that.

Amit Kumar

Sure. Thank you so much.

V C Unnikrishnan, Chief Financial Officer

All right.

Operator

Thank you. I would now like to hand the floor over to Mr. Chirag Negandhi for closing comments, please.
Thank you, and thank you for taking the time. And we look forward to you again next quarter for the call. Thank you.

Operator

Thank you very much.

Chirag Negandhi

Thanks. Thank you, madam.

V C Unnikrishnan, Chief Financial Officer

Yeah, thank you.

Operator

Thank you, sir. On behalf of Enam Securities Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.