



DISH TV INDIA LIMITED

3Q FY13 EARNINGS TELECONFERENCE
JANUARY 22, 2013, 4.00 P.M. INDIA TIME

Moderator

Ladies and gentlemen good day and welcome to the Q3 FY13 Results conference call of Dish TV India Ltd. As a reminder all participant 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. If you should need assistance during this conference call please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Tarun Nanda of Dish TV India Ltd, thank you and over to you sir.

Tarun Nanda

Good afternoon ladies and gentlemen and thank you for joining us today to discuss the results of Dish TV India Limited for the quarter ended December 31st, 2012.

To discuss the results and performance, joining me today is Mr. Jawahar Goel, Managing Director, Dish TV India Limited, along with the senior management team of the company including Mr. R.C Venkateish – CEO, Mr. Salil Kapoor – COO, Mr. Rajeev Dalmia – CFO & Mr. Gaurav Goel – Executive V.P. – Strategy & Business Development.

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

Also, before we proceed, may I request all media representatives who may have joined in to please disconnect immediately since this call has been organized purely for our investors and analysts.

I would now request Mr. Jawahar Goel to address the participants.

Jawahar Goel

Good afternoon ladies and gentlemen and thank you for joining us today.

Dish TV added 829 thousand new subscribers in the quarter ended December 31, 2012 achieving a total of 14.7 million gross and 10.5 million net subscribers at the end of the period.

While the distribution industry remained on tenterhooks preparing for digitization, the third quarter saw the much debated compulsory switch off of analog television signals take place in key metro markets. Although lack of execution in Chennai and Kolkata was a dampener, festival demand coupled with mandatory conversion in Delhi and Mumbai brought the DTH industry back to the 1 million plus monthly run-rate. DTH garnered around 35% share of incremental additions post the sunset date.

In line with our expectation, we witnessed significant subscriber uptake around the sunset date of 31st October. Dish TV achieved

the largest share of 28% amongst DTH platforms in the digitization territories. 'Dish+', India's first standard definition recorder, played its part in differentiating and attracting consumer interest in a crowded market.

Coming over to the key performance highlights; Subscription revenues for the quarter stood at Rs. 4,943 million recording a growth of 16.2% as compared to the corresponding period last fiscal. A larger base did create pressure on the average revenue per user which, primarily supported by price hike in the second quarter, increased marginally to Rs. 160.

In the third quarter, apart from the usual additional spends typically experienced due to the festive season, additionally this year the company's investments to capitalize on the digitization opportunity are also reflected in higher costs during the quarter. A seasonally higher marketing expense was as per budget. Due to the typical nature of fixed fee arrangements, content cost for the quarter was higher on a sequential basis however; hike in content cost for the year is expected to be within the guided range of 12% over the previous fiscal.

EBITDA at Rs. 1,377 million recorded a 4.8% growth as compared to the corresponding period last fiscal. EBITDA margin for the quarter stood at 24.7%. Churn remained steady at 1% per month while Subscriber Acquisition Cost reduced marginally to close at Rs. 2,201.

With this, I would like to open the floor for the questions and answers session.

- Moderator** Ladies and gentlemen we will now begin the question and answer sessions. We will take our first question from Nitin Mohta of Macquarie. Please go ahead.
- Nitin Mohta** My question is on digitization in Phase-I, just wanted to understand as to what is the total number of set-top boxes that were seeded in Phase-I cities and what's the DTH market share of that?
- Venkatesh** If you're looking post the sunset date of October, between November and December which is post the switch off, DTH has put in about 550,000 boxes. The total digital in that period was about 1.5 million, so DTH market share in the month of November and December post switch off date was about 35%. However if you include October which includes the pre-seeding which was done by all the operators prior to the sunset date there is a little lack of clarity in terms of the digital numbers but we go by what has been put on the pre-sunset date numbers. The total digital was about 3.3 million out of which 700,000 came to DTH.
- Nitin Mohta** If I can just take a clarification on the numbers that you talked about for the 35% post-sunset you are still referring to the four digital markets?
- Venkatesh** Yeah, the four markets.
- Nitin Mohta** And on the ARPU front, we took a price hike in July, I understand it takes time to kind of flow through but from a long term perspective, what is the confidence for a price increase at customer level for the next 12 months?

Venkateish

One, when we took the price increase of Rs. 20 last time that was not taken in the south, so if you take the weighted average of that price increase across the whole country that would have come to about Rs. 14-15 and from that if you net off the service tax, the total effective value of that price increase discounting any down gradation would have been in the region of Rs.11-12. Net-net we have probably gained Rs. 8 to 9 in total ARPU increase. Last year's 4th quarter we exited with an ARPU of 151, 3rd quarter here we are at 160. Another Rs. 2 is likely to come in this quarter. Now as far as going forward is concerned if digitization plays out and the cable operators start actually charging the consumers the monthly bill, that phenomenon has not yet started, at that particular point the leeway or the elbow room that we will have to further increase prices will substantially go up because as of now the cable model is still operating on the old price principle they have not yet fully put out all the packages to the consumer, the moment that happens the base price for cable itself will likely come to around 225 at which point we should be able to take further price increases of about 7 to 8%.

Nitin Mohta

If I can just follow up on the comments that you made in this answer, the cable companies claim to have raised invoices to LCOs but the comments from the cable companies have been that they were still billing on a net basis, have you seen any on the ground movement from the LCOs, you had launched a scheme where LCOs can become sub dealers to you, any color on that?

Jawahar Goel

I think you are the best judge or you should ask the cable companies whether they are collecting or not. Some of the companies have not even encrypted their signals in Delhi and

Mumbai, so the cable companies are yet to take advantage of revenue flowing back to them.

Moderator Thank you. Our next question is from Abneesh Roy of Edelweiss. Please go ahead.

Abneesh Roy My first question is on the Phase-II, we have got 38 cities so wanted to understand in terms of market share vis-a-vis Phase-I do you think the trends can reverse in terms of DTH versus cable, any marked change? Second in terms of the cost which has been incurred for digitization in Q3 how does that trend up in Q4 because obviously number of cities is far higher so any sense on that?

Venkatesh As far as the Phase-II is concerned I think we still have to complete Phase-I. Calcutta and Chennai are still running largely on analogs, Delhi is the only city which has been fully digitized and we know the issues in both Calcutta and Chennai. Going forward we will have to see how the whole Phase-II thing plays out I think it is still early and a lot of issues are still out there in the marketplace to be resolved. However nonetheless we are preparing for it, we have already put in place a service infrastructure and the incremental costs that we had incurred in Q3 about 60 to 70% was largely in the four metros a lot of those costs which include basic investment in hardware and service kits and things that we had provided to all the service franchisees are transportable and we will be able to realize value from those costs even in the 38 cities. So if we see a situation where all 38 cities actually go digital on 1st April, we believe that there might be some slippage in that whole process and it might not all happen in one short, we do expect

some incremental investments but I think a large portion of that has already been made.

Abneesh Roy

In terms of the digitization markets in Q3, our market share seems to be higher compared to the incremental share earlier, is that a correct reading? 28% share in the digitization and market versus 23% incremental share in Q2 is it correct?

Venkatesh

Absolutely, because in fact our strategy in the four metros has paid off quite handsomely in fact both the standard definition recorder as well as the 70 channel base pack that we offer were both very well lapped up by the customers and we got our highest ever numbers in the four metros. We expect that momentum will likely continue in Phase-II as well.

Abneesh Roy

And out of these two innovations which one would you think would have worked better than the 70 Channel one, or the HD recorder?

Venkatesh

Both worked and I would also like to highlight that we have been tracking the recharge pattern and the behavior of those customers who had taken the 70 Channel free service. We have found that so far at least we have seen no difference in their recharge renewal pattern and it is not causing us any dilution in ARPU on that account.

Abneesh Roy

Another question is that Other Costs has seen a sharp jump which I think you said partly because of the digitization that was there, so any other element is there, any one-off is there in that line item?

Rajeev Dalmia

No, there is no one-off.

- Abneesh Roy** Okay but you are saying that part of that can be reused in the Phase-II digitization?
- Venkateish** A large part of that.
- Moderator** Thank you. Our next question is from Shobhit Khare of Motilal Oswal Securities. Please go ahead.
- Shobhit Khare** Can you give the revenue breakup in terms of lease rental and other revenues?
- Rajeev Dalmia** Lease rental is Rs. 38 cores, teleport around 5, bandwidth 10 cores and advertisement this time is very high it is 9 cores and balance in subscription revenue which is Rs.494 crores.
- Shobhit Khare** Second thing is just wanted to understand programming and content cost, so does this include any prior period item?
- Rajeev Dalmia** Yes, prior period but not strictly prior period some of the costs relating to the Media Pro is also factored in this quarter but not the entire cost.
- Shobhit Khare** Okay but we do have a sequential jump which is quite significant?
- Venkateish** Yeah we had already guided that for the full year the content cost increase will be in the region of around 12% we continue to maintain that guidance and the 1st half was slightly lower because of the timing of these content cost increases. So those will be reflected in Q3 as you have seen and also some in Q4.
- Shobhit Khare** So by 4th quarter we will have the entire impact of the increase of Media Pro?

- Rajeev Dalmia** Part of it is there in the 3rd quarter and part of it would be in the 4th quarter.
- Shobhit Khare** Why has there been a sharp increase in depreciation?
- Rajeev Dalmia** Currently, write-off policy, as per the auditor, we have to pass through depreciation.
- Shobhit Khare** Lastly, can you give us any indication of what is our subscriber base in Phase-I and Phase-II? Any rough indication what percentage of subscribers for Dish TV is there in Phase-I and Phase-II?
- Venkateish** In Phase-I and Phase-II approximately about 20% to 22% of our subscriber base will be there.
- Moderator** Thank you. Our next question is from Kunal Vora of BNP Paribas. Please go ahead.
- Kunal Vora** Can you give us some color about the high-definition pickup during the quarter?
- Venkateish** We continue to get about 7 to 8% of our net ads as high definition customer. The ARPU is around Rs. 384.
- Kunal Vora** So high-definition has been stable it is not really picking up in a big way, is that the right way of looking at it?
- Venkateish** On High-Definition we are really going for value shares, our construct in terms of our market offering is such that the HD customers that we acquire have to per force subscribe to HD packs, not all DTH operators were doing in fact we are the only one who

insists that a HD box is always supported only by HD programming, many of the other DTH companies are selling a box in which you can even subscribe to a standard definition package, we believe that that is not giving a proper return on investment because of a higher SAC of HD customer. Given that we look at our revenue share from HD and our revenue share is the highest in terms of the total pickup that is close to 37% of the total subscription revenue attributable to HD is coming to us. In terms of absolute contribution to the top line HD is now a significant contributor.

Kunal Vora

Second question is on ARPU, ARPU improvement has been slightly weak compared to my expectation over the last couple of quarters, how are you looking at it in the next two or three years, do you think 6 to 7% kind of increase is at least sustainable because this year we will end up at even less than that number in terms of increase year-on-year in terms of ARPU in my view?

Venkateish

No, our current ARPU at 160 is a 6% improvement over our ARPU as on 1st of April 2012 which is three quarters ago, so for the full year our increase in ARPU will be approximately about 7.5 to 8% which is about as good as it can potentially get on this base unless there is a complete structural change in the way the business is conducted because we are not moving prices in isolation there is a cable alternative as well. And getting the customers to actually start paying in the digital environment is going to be a very important part of this whole ARPU exercise. So far the billing of the MSO to the digital customer has not really operationally started and even if it has, the customers continues to pay the old way, so

when that change comes about there will be plenty of room for ARPU growth.

Kunal Vora And for the ARPU to increase again next year by similar proportion you will need to take fresh tariff increase, is that a right presumption?

Venkateish Yeah if you look at how we have been taking the prices up in the last 2 to 3 years, we have seen that we have tended to take periodic incremental increases which have helped keep the ARPU ticking along and we expect to be able to continue to do that.

Kunal Vora And is the market conducive for another tariff increase right now in your view?

Venkateish At every point, the last time when we took the price up from 180 to 200 it was absorbed very comfortably by the market, so I think given the overall inflationary environment and people's expectation of price inflations at 8 to 10% it is not unreasonable to expect price hike to be absorbed.

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

Vikash Mantri Last time during the festive season we had a significant increase in our commissions per new subscriber added however that has not happened in this quarter, does this mean that the market is ready to absorb without high commissions could you explain some trends here?

Venkateish There has been a little more rationality in the overall DTH market compared to what it was about 18 to 24 months ago. The level of

discounting has come down substantially as well as the level of preview period, so that is partially reflected. As I said it is also offset by higher investments that we had to make to support the sales and service infrastructure in the overall ecosystem.

Moderator

Thank you. Our next question is from Princy Singh of JP Morgan. Please go ahead.

Princy Singh

I just had a question on the cost, just wanted to get some sense on the investments which have been made in this quarter for the impending digitization. So will these investments remain at an elevated level over the next few quarters as digitization roles out and what range should one look at margins over the next few quarters?

Venkatesh

Some portion of that is already been invested and will not have to be reinvested. Secondly, we have to take a view on how the overall digitization or the balance of Phase-I and phase II plays out. We are currently taking a view that it will not likely happen all in one go on 1st of April. Obviously if everything happens on one day as of 1st of April than the implications for the kind of investments and the preparation that we have to do is different from, if we assume that it will slightly staggered over period of 3 to 4-5-6 months. We are gearing to the second view in which case we will be able to rotate our investments across various geographies more efficiently rather than having to invest in service setup all over. We still have Phase-I to go through fully because all of Calcutta and Chennai is still almost completely open for digitization.

Princy Singh

And just to understand some more specifics on these costs which have gone up so I am assuming that brand & marketing would be

one leg of the expenditure but is there anything else because the sharp increase which we see on other operating expenses on a YoY basis in this quarter. So is there anything besides the marketing expenses?

Venkateish

Marketing, distribution and sales and services as I said for us to provide the capacity to actually execute on the ground we have to support the whole installation and service setup. In Delhi for example from where we were doing 150 to 200 installations a day, at peak of the digitization we were doing 4500 which is almost 25 fold increase, so that many extra service engineers, support staff, additional warehouses and locations, transportation to manage all that, all those expenses has to be planned and accounted for, so that is a mammoth exercise. And we had set up similar infrastructure for example in Chennai and Calcutta which are lying completely unutilized. There is a fixed component and the variable component and while we save on the variable cost because the actual digitization hasn't happened but there is some amount of fixed cost subsidy were we had to absorb and that is reflected in the sales commissions.

Princy Singh

So directionally should one assume that margins on a sequential basis should look up from here, is that a fair assumption to make?

Venkateish

I think for Q4 as I said there will be the additional impact of those content costs because of the timing and the MediaPro deal will be there but there after margins should expand.

Moderator

Thank you. Our next question is from Ankur Agarwal of Nomura. Please go ahead.

- Ankur Agarwal** On Media Pro can you quantify what percentage of the incremental cost has actually been taken in this quarter and what percentage would actually manifest in next quarter?
- Venkateish** As I mentioned, we have guided for the full-year content increase at around 12%, so you can work out from that.
- Moderator** Thank you. Our next question is from Siddharth Goenka from JM Financial. Please go ahead.
- Siddharth Goenka** Just one clarity the FY12 number for content cost was Rs. 540 cores right?
- Venkateish** Yes.
- Siddharth Goenka** So if we factor in the 12% growth in this full-year then there will be sharp QoQ rise in the overall content cost to around 220 cores?
- Rajeev Dalmia** 12% is the maximum that we are saying, it can be lower also.
- Siddharth Goenka** And the ad expenditure has not been as per the guidance, it has come in comparatively lower because normally in Q3, the ad expenditure goes up substantially, so what kind of year end guidance do we have for that?
- Venkateish** The overall marketing expenditure is likely to be at the same level as last year.
- Siddharth Goenka** And on the other income side it has almost doubled QoQ, any one-off thing, this quarter?
- Rajeev Dalmia** There was a Forex gain of around Rs. 6 cores. It was earlier a Forex loss.

Siddharth Goenka How much was the loss?

Rajeev Dalmia It was around Rs. 11 cores but that was under Other Expenses.

Siddharth Goenka Are we losing high-definition market shares to the cable companies because what I understand that the cable companies are providing high definition channels at a lower rate plus they provide around 35 to 40 channels whereas DTH they provide high-definition at like 400 plus ARPU's and plus they only give around 10 to 12 channels. So what I understand people are more preferring high-definitions provided by cable companies compared to DTH?

Venkatesh No, we have not seen anything of that sort.

Moderator Thank you. Our next question is from Sanjay of Quantum Advisors. Please go ahead.

Natraj This is Natraj here. I have a couple of long-term questions So far most of the content related negotiations have been on a bulk basis, at what point in time will the content guys come back to you and say "I want to negotiate on a per-subscriber basis"?

Venkatesh We are trying to negotiate with some of these people mostly on a per subscriber basis because we have been able to bring our content cost down to about less than 30% of our subscription revenue and thereafter we are able to maintain it on a per subscriber basis, it is actually accretive to us because apart from the subscriber growth we also have the benefit of ARPU increase and therefore we are actually pushing towards that provided we are able to get good rates, so that is really something which works for

both of us and in some cases it doesn't work that much for the others.

Jawahar Goel We have to see how the negotiation can take place, so that it is beneficial to the company. Sometimes it is on a per subscriber base while sometimes it is on a fixed fee basis.

Natraj On the churn side, are people going back to conventional cable or they are going to a different DTH operator?

Venkateish The churn has various components, there is some portion which goes back into cable, like wise there is a portion which comes from cable to us. There is a component which deals with hardware defects or boxes going off, so there are a variety of components, those components all add up to around 1% per month.

Moderator Thank you. Our next question is from Srinivas Seshadri of CIMB. Please go ahead.

Srinivas Seshadri The first question is on the price hike which you mentioned that there would be opportunity to take hereon also. Given that digitization is being rolled out in a phased manner; is there any way you can kind of differentiate pricing between say different phases, is it technologically possible at all? Are you looking at such options because that is going to be the key like if you enforce a pricing in a digitized market that could be accepted but it could backfire in an analog market?

Venkateish It is certainly possible, at this point of time we have not looked at it but if the need be and if there is a business justification for that we can certainly execute that as well.

Srinivas Seshadri My second question is on the transponder, I believe a few months back you were saying that you are on the process of contracting for additional transponders, so if you can just give some update on what is the progress and also what kind of cost inflation we should build in for FY14 on the same?

Jawahar Goel The satellite which we were aiming at has been deferred for three months, let us see it will be somewhere in July-August. Some of them will be replacement of transponders while some would be additional transponders.

Srinivas Seshadri What is the cash and debt position this quarter and how it has changed QoQ?

Rajeev Dalmia Cash has gone up, it is around Rs. 415 cores and debt is around Rs. 1300 cores.

Moderator Thank you. Our next question is from Prateesh Krishnan from Antique Stock Broking. Please go ahead.

Prateesh Krishnan My question is on the Phase-I, would it be fair to assume that the overall DTH market share today would be in the range of 25% to 30% and if that be the case is it in line with your expectation?

Venkatesh I would say it is closer to around 30% right now but for Phase-II we would expect DTH to have a better share and Phase-III and Phase-IV an even better share and that is the way we have always guided because in the Phase-I the metros, the MSOs tend to be strongest and as you go deeper and deeper into the hinterland DTH gets the advantage.

Prateesh Krishnan What is the market share you would look at for Phase-II?

- Venkateish** For Phase-II, I think DTH should be looking at least 40% to 45% or 50%.
- Prateesh Krishnan** And for both these phases particularly the Phase-I is there an opportunity for you to kind of increase the market share or should we assume that this is what it will be even 3-4 years down the line?
- Venkateish** There is obviously a lot of flux happening and our market intelligence report is that there is a lot of churn back from digital cable back into DTH though it is still small and it is anecdotal because it is one area, this market will constantly remain in flux because ultimately the consumer experience will prevail after experiencing both the models.
- Jawahar Geol** There will be multi-TV homes that will have a cable as well as DTH as an option. We had some signs of churned subscribers coming back when cable operators started asking for Rs.800-Rs.1000 for set-top boxes, customers started re-activating DTH boxes which were lying idle.
- Prateesh Krishnan** Can I also have the free cash flow number for the quarter?
- Rajeev Dalmia** We had a negative cash flow of Rs. 16 cores this quarter. Total till 31st December is net positive Rs. 60 cores.
- Moderator** Thank you. Our next question is from Rohit Dokania of B&K Securities. Please go ahead.
- Rohit Dokania** Just two questions, one was on the rental revenue, the rental revenue has fallen from Rs. 46 cores in Q1 FY13 to about Rs. 38 cores this quarter. Could you please tell us what's happening and also the trajectory going forward?

- Rajeev Dalmia** There are two reasons, one is, all those subscribers who were acquired in December quarter '09 are no longer considered for rental revenue and second is that from 1st April, 2012, we have started amortizing rental revenue over 5 years.
- Rohit Dokania** So is that number so huge?
- Rajeev Dalmia** It was around half a million during that quarter.
- Moderator** Thank you. Our next question is from Bijal Shah of IIFL. Please go ahead.
- Bijal Shah** My first question is on ARPU so just want to understand how the recharged pattern has been in last one year or probably maybe longer term perspective if you can give that whether people have been upgrading going from base to mid, mid to top tier or the pattern has been fairly stable?
- Venkatesh** Pattern has been fairly stable in fact there has been a slight amount of down gradation because of the sharp price increases that we have taken, so we had at the top-end some attrition but that's been more than compensated for the level of price increase. Price increases that we have taken during the last 18 months have been fairly sharp so that has pushed some of the top tier down but we are working to correct that because now with the new base once we get that fixed we will get a substantial improvement in ARPU.
- Bijal Shah** On the recharge pattern, I mean if that is not improving, does it mean that we have to rely primarily on crude price hike to improve ARPU?

- Venkateish** To improve ARPU not only is the recharged pattern in terms of the pack mix important, it is also the function of the recharged behavior in terms of the lost revenue base and that we have been working on. We have been successful in improving a lot of metrics, on-time payment for example, and that has a direct impact on ARPU, we have 23-24% leakage because of that so if we are able to improve that even 2% or 3% points that has substantial impact on ARPU. So ARPU is a mix of all of these, it is not one-dimensional.
- Bijal Shah** Of course that you would be doing separately at any point of time to reduce the delay or latency in recharge but within migration to higher pack and crude price hike, I mean, what I get is that crude price hike is more important in raising ARPU at this point of time?
- Venkateish** The crude price hike takes the bar up in one shot so obviously that tool has to be played in conjunction with the other tools.
- Bijal Shah** Don't you think that the base pack itself is so attractive that probably 90% people would never want to go up and go for mid-package on all India basis?
- Venkateish** The current construct of the model is such that there is fairly reasonable offering at the base pack level but again if you compare it with global markets may be there is a lot of content in a base level pack, however, we are constantly working to try to extract more from our subscribers by taking some of these channels out and putting it out in à la carte without hurting our competitive position. So yes in substance the entire TV products offering in India are still \$4.

- Bijal Shah** Second question is on subscriber growth, do you think that we can see any acceleration in gross subscriber additions? Till Phase-III and Phase-IV do you think that 2-2.5 million is a steady run rate?
- Venkatesh** Now the gap between Phase-II and Phase-III is only nine months. Let us hope for the best.
- Moderator** Thank you. Our next question is from Mayur Gathani of OHM Group. Please go ahead.
- Mayur Gathani** I wanted you to throw some light on fundraising plans that you have taken approvals from the board?
- Rajeev Dalmia** It is still not final; when it is finalized we will come back to you.
- Mayur Gathani** Anything on the Sri Lankan JV?
- Rajeev Dalmia** It is slightly delayed because of the delayed launch of the satellite, so maybe Q2 next year we can hope something to start.
- Mayur Gathani** Any CAPEX plan that you have worked on?
- Rajeev Dalmia** Not beyond the setup boxes.
- Mayur Gathani** What is the current inventory level for you sir, setup boxes?
- Rajeev Dalmia** 1.3 million and around 0.8 million with the trade.
- Moderator** Thank you. Our next question is from Mithun Soni of GeeCee Investments. Please go ahead.

- Mithun Soni** One question with respect to depreciation, you said there has been a change in policy wherein the write- offs will be taken in the depreciation, can you just take me through that?
- Rajeev Dalmia** Yeah, write- off of set-top boxes which are more than 500 days past due is being routed through depreciation.
- Mithun Soni** So now is this the trend that we should look at going forward?
- Rajeev Dalmia** Yes.
- Mithun Soni** Okay because in an interview on TV, Mr. Venkateish had said that this is likely to get leveled off over the next 12 months?
- Rajeev Dalmia** Not 12 months it would be around two years because most of the guys who came in the last three years will be factored. and then it will plateau at around that level that is what we believe. Accounting wise it can be different also.
- Moderator** Thank you very much. We will take our last question from Amit Kumar of Kotak Securities. Please go ahead.
- Amit Kumar** My first question is with respect to the pricing, how much is HD as well as push on add-on packages is adding to our ARPU?
- Venkateish** We have not broken out the contribution.
- Amit Kumar** That is correct, the only point which am trying to understand is that over the last 2-3 quarters given the fact that you are consistently adding 7% to 8% of subscribers on HD that doesn't seem to be making too much of impact, just wanted to understand what is going on?

Venkateish

If you look at the total base of HD, which is about 230,000 paying base, and compare it with the total net base of about 10 million, even though it is growing fast at this point of time it is not actually moving the meter. But it will, as critical mass of that subscriber base comes up to a meaty number. As far as à la carte packs are concerned that contribution is also reflected in the ARPU but again that number per month even if we move from 6 cores to 7 cores which is a 15% to 16% improvement that doesn't translate into meaningful number on the ARPUs, so these are all slow burn numbers which we have to keep pushing as components of the ARPU.

Amit Kumar

My second question was with respect to this point about carriage fees I am a little bit surprised that the current carriage fees number which continues to remain quite low and has actually declined on a YoY basis and it is just about less than 25 cores in the first nine months of the year versus cable companies which routinely do even 50 to 100 crore numbers on a quarterly basis. Just wanted to understand what are we missing here?

Venkateish

Since we have limited capacity right now, we are not able to take on a lot of channels which will pay us carriage but when we get the additional capacity we will be able to take on those carriage fee paying channels. The carriage fee that we charge is different from the carriage and placement fees the MSOs charge, our carriage fee is largely derived from the smaller and the niche channels whereas for those in the analog system it is largely placement fees.

Moderator

Thank you and I would now like to hand the conference back to Mr. Tarun Nanda for closing comments.

Tarun Nanda

Thank you once again for joining us ladies and gentlemen. We look forward to speak to you again at the end of the 4th quarter of fiscal 2013 or even earlier on a one-on-one basis. Thank you and have a great day.

This transcript has been suitably edited for ease of reading.



A  Associate