



DISH TV INDIA LIMITED

3Q FY16 EARNINGS TELECONFERENCE FEBRUARY 3, 2016, 4.30 P.M. INDIA TIME

Moderator: Good day, ladies and gentlemen, and welcome to the Dish TV India Limited Third Quarter FY16 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tarun Nanda. 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 third quarter ended December 31st 2015. To discuss the results and performance joining us today is Mr. Jawahar Goel – Managing Director of the Company along with Mr. Arun Kapoor – Chief Executive Officer and Mr. Rajeev Dalmia – Chief Financial Officer.

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 the 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 as this call has been organized for investors and analysts only.

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 317 thousand subscribers during the third quarter reaching a net subscriber base of 14.0 million at the end of the period. With subscriber growth accelerating in the current quarter, we remain on track and are confident to achieve our full year target additions of 1.5 million subscribers for the financial year ended March 2016.

We witnessed steady growth in the third quarter and our key metrics strengthened further.

Our consolidated operating revenues of Rs. 7,715 million were up 11.8% Y-o-Y and subscription revenues of Rs. 7,111 million were up 12.6% Y-o-Y. ARPU stood at Rs. 172 vs. Rs. 171 in the preceding quarter.

EBITDA for the quarter stood at Rs. 2,654 million compared to Rs. 1,908 million in the corresponding quarter last fiscal. EBITDA margin recorded at 34.4% compared to 27.6% in the corresponding quarter. Profit after Tax was Rs. 685 million compared to a loss of Rs.26 million in the third quarter last fiscal.

Churn was lower at 0.7% per month. Free cash flow for the quarter stood at Rs. 1,296 million.

With a focus on Balance Sheet strength, Dish TV further pruned its debt by Rs. 3,000 million. The net debt is now around Rs. 5,610 million and likely to reduce substantially going forward.

We continued to build our pan-India reach during the quarter. However, as expected, despite analog sunset there was no real spike in consumer demand from Phase 3 markets thus making it an ordinary quarter from that perspective. Later, changing gears to align with the current industry trend, we tweaked our subscription packages to a more versatile and seemingly economical offering. Mandatory digitization however is expected to pick up speed and our key focus going forward would be to gain market share both in terms of subscribers and profitability.

On the macro economic front, schemes like 'UDAY', for the revival of Power Distribution Companies, are likely to go a long way in ensuring affordable and accessible power for the masses. Efforts towards 100% village electrification and 24x7 power supply in urban areas have a direct correlation with our business. Improved power quality is likely to increase the consumption of pay-tv and within that, pre-paid platforms like Dish TV. Further, financial inclusion initiatives like the 'Jan Dhan Yojna' have also facilitated ease of recharge for DTH subscribers by giving them universal access to banking facilities. Rising income levels, growing

urbanization and favourable population dynamics instill confidence that India would be able to sustain high growth over a long period of time. Such positive indicators are catalysts for consumption driven sectors like DTH.

The DTH industry however continues to bear the brunt of multiple taxation. With taxation reforms like Goods and Services Tax (GST) still not rolled out, the industry finds it almost impossible to pass on service tax hikes to its subscribers. Service tax has been increased from 12.36% to 14.5% in the last 7 months or so. The entertainment tax regime also has a negative impact on the industry. To make matters worse, industry peers, cable MSO's have still not implemented billing, packaging and dunning across a large part of their operational market. This makes passing the burden of service tax and entertainment tax to subscribers all the more challenging especially considering the incidence of negligible tax compliance in the cable mass market.

With that, let me know open the floor for the Q&A session.

Moderator:

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

Abneesh Roy:

My first question is with respect to the peers if you could comment. Sir, if I see in terms of ARPU the two other players who report numbers they are saying 2% to 3% quarter-on-quarter ARPU growth. So in terms of service tax have they been able to pass it on? And similarly in terms of subscriber addition if I see, they have added around 0.4 to 0.5 million in this quarter versus yours is around 0.3 or so, what is the reason for slightly lower numbers on both these counts?

Jawahar Goel:

Abneesh, from the last quarter to this quarter we had management change and also had focus on many other parameters in the company, On ARPU front, yes we had bit lower growth. My peers in the industry including cable also has not been able to pass on the service tax impact. The calculation of ARPU for industry players is always different say for e.g. last to last quarter we had reported ARPU without collection cost and service tax. Our other revenues are also not included in

revenue. These conservative calculations help the company keep the content cost lower.

Rajeev Dalmia: In terms of additions, if you look at nine month period we have added around a million which none of the other players have added only in the last quarter if you compare like to like then we are slightly less than Videocon and may be Airtel but if I look at the last three quarters we are still much more than both of them.

Arun Kapoor: On subscribers, we continue to maintain our guidance of 1.5 million net additions. With all the cricketing action lined up, with our new product launches and increased investments in marketing, we will be doing half a million over the next three months and finish the year at 1.5 million. Just one more point I would want to make on the ARPU. The ARPU seems kind of flat at 171 last year and 172 this year but we must remember there is a 2.2% service tax increase which we absorbed that is impacting this. So if you were to adjust for the service tax increase this 172 would read more like 175. So between last year and this year there has been some traction on ARPU.

Abneesh Roy: Sir, that is quite helpful. One follow-up on this, in terms of the comparative dynamics are you saying is there some deterioration in that? Why I am asking this, in nine months you have done well but why in a particular quarter I understand the management change I definitely take that point, why should it change in terms of market share and in Q4 again you are going to do well so, is it because of Phase 3 or is it because your incremental market share in Phase 4 will be better?

Arun Kapoor: About an year back the entire industry launched a 99 plus product, we did not launch that product, we were waiting and watching. Today where gross adds are concerned for the industry that product contributes to almost 30% of volumes. We launched this towards the end of December with a high Decibel marketing campaign. So to that extent we did not have this product for the last three months, now we have this product and it is contributing almost 25%-30% of daily additions. So this will make the difference going forward which we did not have last quarter.

- Abneesh Roy:** Sir, my second question is in last quarter you have done well on the free cash flow but how should we build the interest and other income. Interest expense has gone up and other income is down so what is the reason for that? Is it because of FOREX?
- Rajeev Dalmia:** No, one element is FOREX which is around 5 crores, second element is that we have prepaid our loan of around 300 crores so some of the deposits lying with us and some of the advances given to companies which were bearing interest have now stopped bearing interest because we repaid the loan and we have repaid our bank obligation but that has happened only towards the end of the quarter. So it will correct in this quarter and our interest cost will definitely go down from this quarter onwards because we have already prepaid loan of around 300 crores.
- Abneesh Roy:** So by that amount it should come down proportionately.
- Rajeev Dalmia:** Absolutely and some of the blip in the interest is because of the provision for interest on unpaid license fees which keeps on increasing every quarter. If you remove that then we are more or less like last quarter but will be quite better in the present quarter and the quarter going forward.
- Moderator:** The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.
- Mayur Gathani:** Sir, what are the key reasons why this quarter was not that great in subscriber additions because if you look at it, the deadline was December 30th, we should have seen influx of numbers now you are postponing that to quarter four, there is an influx for the DAS subscriber plus there is a cricket season so you will normally get an addition there but any specific reason you would point except for the management change I take that.
- Arun Kapoor:** The ballpark figure of gross additions in the industry was about 8 million, we had a share of 1.96 in that so if you look at gross additions we have a share of almost 25% and we are maintaining that going forward we are actually saying that the next quarter will be better. So it is not that this quarter has not been good on addition, we have managed 25% share.

- Mayur Gathani:** Okay. And what is your view on the DAS-III sir I mean there is delay by a few weeks here and so do you think in March you will have a big number to play to?
- Jawahar Goel:** Yeah, actually almost ten High Courts in the country have given stay on digitization. The Broadcasters Association met the Ministry and the ministry has put a transfer petition in Supreme Court. They are in the process to file a transfer petition hopefully in a week or ten days and this matter will be heard in Supreme Court. So the only grudge in the court cases more or less was that there is lack of set-top box availability by the MSO at the local level. I think this issue will be sorted out very soon.
- Mayur Gathani:** Fair. And sir, on the ARPU side when you say that you do not consider collection cost and other revenues so it is only the subscription revenue that you consider for the ARPU calculation?
- Rajeev Dalmia:** Yeah, it is subscription revenue minus service tax minus collection charges.
- Mayur Gathani:** Okay, fair. And you are saying others would be adding on those and then getting a number so hence your number will be a little higher than yours.
- Rajeev Dalmia:** Definitely not the service tax but we do not know about the collection charges.
- Jawahar Goel:** See we calculate our ARPU in a different way and it is helping the company at the bottom line.
- Mayur Gathani:** Absolutely, sir I take that point and any guidance for FY17 addition sir?
- Arun Kapoor:** Not yet, we will come back in the next call.
- Mayur Gathani:** Okay. And March 2016 sir what could the net debt level be for the company?
- Rajeev Dalmia:** So we are already at 560 crores, 150 crores more will go down going forward, so we may be around Rs. 400 crores.
- Moderator:** The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

- V.Subbaraman:** So in the presentation you focused a lot about deleveraging on your balance sheet. So just wanted to understand from a strategic standpoint, your Phase 3 and Phase 4 digitization, we feel that at present it is good opportunity for the DTH industry to gain ground and in terms of rapidly adding subscribers when MSOs are not able to do so. In such situation is conserving cash by say not participating enough in the market and also say by curtailing your SG&A spends is that a prudent strategy while some of your peers are more aggressive in the market that is one. And the second question is on the levers that you have for margin growth here on because your EBITDA margins clearly are at a peak and now that next year we will see two large deals getting renewed what would the trajectory be in terms of the margin and also put the content strategy in place while explaining this please. Thanks.
- Jawahar Goel:** We had given guidance for content cost in the beginning of the year and we are well within that. We have a high level of stock build-up in the production line and in our warehouse so when there is a demand in the market we will go and pick-up the subscriber numbers. Secondly, we will maintain and grow our market share so I do not know from where you picked-up that we have a strategy not to grow. Loan repayment is also another strategy that we want to make the balance sheet lighter our credit rating is upgraded. We will try and reduce the interest rates going forward. We had reduced in the past we will reduce further going forward.
- V.Subbaraman:** Right, this is helpful. Just a small book keeping question, the revenue break-up, CAPEX and inventory levels.
- Rajeev Dalmia:** Inventory is around 1.1 million. Break-up of revenue is subscription revenue Rs. 711 crores, lease rental 10 crores, teleport 5 crores, bandwidth 28 crores, advertisement income 13 crores and other operating income 4 crores.
- V.Subbaraman:** Right. And CAPEX?
- Rajeev Dalmia:** CAPEX was around 145 crores.
- Moderator:** Thank you. The next question is from the line of Kunal Vohra from BNP Paribas. Please go ahead.

Kunal Vohra: A couple of questions. First BARC ratings indicate that FTA channels have fairly strong viewership. In your view who are these customers watching the FTA content and does this reduce the potential market size for the television Pay-TV distributor and one of the steps you would take to convert these FTA viewers into Pay-TV viewers. And secondly wanted to understand your thoughts on IND AS how will it impact your financials or maybe you can highlight two or three key changes that will be great, that is it, thank you.

Arun Kapoor: The primary consumers of FTA are people who are primarily in cable dark areas. There are still 20 million households which do not have cable and satellite. We believe free dish is going there and actually we do not look at free dish as a competition or as somebody who will take away our share. We actually look at it very positively. These are people ensuring sampling of people who have never viewed content like this and they are creating a pipeline for us going forward. So people will go on free dish view and sample FTA content and will want value added products better services and then they will migrate to us. So in a way it is a very positive thing. They are preparing these subscribers for us.

Kunal Vohra: Sorry, just on that point like will these customers pay a bit lower also I heard in the interview that incrementally the customer were coming in and willing to pay a lot lower compared to what the current customers are paying. So should we be assuming ARPU will stay stable or even decline from current levels?

Arun Kapoor: We believe that once sampling happens these consumers of the FTA content will want to move up the value chain and they will come over to our platforms on a low value product and then you take people up on the value chain.

Rajeev Dalmia: As far as IND-AS is concerned it will affect us primarily in three ways, number one will be the revenue recognition, the way we are recognizing revenue right now, that booking entire activation revenue in one go there may be some change but as per the discussions we had with our auditor and consultant, it may not result in very major change, so that is point number one. Point number two, we also have hedging done for our dollar loan, so because of the new Indian policy on derivatives there may be some gain realized or unrealized based on the dollar rupee movement may be rooted through profit and loss account instead of the

balance sheet that will affect the profitability either gain or loss every quarter. Third is the leasing which we are doing from time to time for various equipment and assets that will undergo also some kind of changes in terms of presentation but it may not affect the actual profitability for loss due to change in the policy or due to change in the IND-AS.

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

Yogesh Kirve: Thanks for the opportunity sir we had a TDSAT ruling in the month of December regarding the discriminatory pricing of the content considering our content cost is lower than some of the other DTH companies of a similar size. Do we have any sort of risk as far as the content cost is concerned?

Jawahar Goel: Actually that judgment is not yet put into the affect. There was a cooling period till March I believe that it will not be impacting us and I have a reason to believe that the broadcasters are going to appeal for stay of the implementation of the same. So currently we have no impact but definitely the good point of the judgment is that we will take advantage in the renegotiation of content.

Arun Kapoor: Just to add to that, we believe that this may actually be good for platforms like us because it is a talking about a level playing field and we all know that in the cable business they have huge carriage payouts and in this new regime there will be complete transparency and some kind of a net rate will come in for the advantages that were enjoyed by cable here to will kind of go away and will be on an equal footing. So I think if and when it happens it will actually be good for us.

Yogesh Kirve: Appreciate that point, but if you compare within the DTH space we are quite competitive as far as content cost are concerned, so is it possible to comment upon what will be the possible reasons behind this?

Jawahar Goel: I think it is negotiation, relationship and how you present yourself, actually there is always a rate card by the broadcasters but effective rate card is somewhere down because when you talk about RIO and that as a platform I have the liberty to place the channel or sell the channel on A-la-carte but when a platform wants you to place their channel on a particular tier or entry level back. So obviously he

has to cut down the rate. So that is how there is leverage to negotiate. Our content cost was 74% of our subscription revenue in the past and now we have come down to such a level. Some platforms are newer than us so maybe the price variation will remain.

Yogesh Kirve: Right, sir. I mean if you comment regarding the outlook for ARPU in coming quarters or FY17 so this year we have said about 4% to 5% increase so any similar guidance for next four quarters or FY17.

Jawahar Goel: I think at Dish TV we are currently more focused on EBITDA, PAT, revenue increase and the ARPU is a denominator to calculate and estimate the profitability but as a guidance let us see on 29th February what happens in the financial budget there is also a rumor in the market that the government will come out with a CGST where by the CVD, SAD, and service tax will subsume and it will be termed as center GST from the near future. So there are a lot of things and we are also expecting the licensing policy as well for DTH in this coming quarter. We are in the process of finalizing the budget for the next year and let us see as to what happens to DAS and the court cases. So give us some more time we will meet you guys in the conference call in near future and will have some sense on it.

Moderator: Thank you. The next question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have few questions. Firstly, sir Netflix is launched into India just wanted to know your thoughts on how you look at it and any changes in strategy from that respect.

Arun Kapoor: Yeah, see on Netflix, a few points first is very early days. Secondly, if you read their own statements in the newspapers couple of days back, they are saying they are meant for only people who have credit cards who travel abroad very often, who are English subscribers, English speaking people. So that is a very niche market. The engine which drives India is Hindi content and regional content, I am sure they will find the place but we do not see them as a threat as such, it is very early and possibly there could be quality content issues in the near future. But at ARPUs and price ranging from 500 to 800 we do not see any threat from them.

Sachin Salgaonkar: Okay, got it. My second question is again with respect to ARPU understand about the management change, I just want to understand given the sort of comments in the opening remarks Mr. Jawahar Goel did mention that they tweak the subscription for a better economic offering. So is there some kind of strategy wherein the focus is a bit more towards Tier-II, Tier-III cities and that is the reason why it has led to a pressure on ARPU and that is how should we look at it going forward and I also understand your comments that PAT and EBITDA are more important but just want to understand from an ARPU perspective.

Arun Kapoor: Yeah, what Mr. Goel was talking about was a launch of this new 99 plus 75 the 174 pack, now we did not have those packs while everybody else had them. We have launched it in the last week of December. This is a pack to drive subscriber numbers in DAS-III and as I said earlier this is while DAS has not got on completely this new product is getting traction with every passing day and as we go down the pop strata and go into smaller towns there will be some element of products which are low ARPU coming in. At the same time as a counter strategy we will be focusing on HD which is an Rs.380 product and also improve the pack mix to see that we get higher APRUs. Also, this 99 product that we are talking about has this tremendous advantage of flexibility people can choose the packs that they want.

Sachin Salgaonkar: Got it. But basically it might put a bit of pressure on your overall ARPUs also.

Arun Kapoor: Any such effect, we hope to counter that with HD and pack mix. The other point I want to make is that while this product may be slightly lower on ARPU but on margin front it is comparable to our other products. It is not a low margin product.

Sachin Salgaonkar: Okay. And my last question is on selling, general and admin expenses declining around 20% Y-o-Y in this quarter, one would have expected increase due to a seasonally stronger quarter and digitization deadline or is this a new normal we should look in terms of lower SG&A expenses going forward.

Rajeev Dalmia: SG&A expenses have been clubbed with other expenses as per the new SEBI guideline for presentation of accounts because we cannot present based on the functional basis of accounts, it has to be on the nature of accounts. So that is the

only difference otherwise it was almost the same as second quarter though it was a festival quarter. It is just the presentation of account that is why the total expenses if you see versus last quarter there has been some increase.

Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: My question is more on a medium-term basis, we have Reliance Jio as well as newer technologies that are coming, so perhaps you may call it newer disruptive technologies coming to the floor and how do you see it impacting DTH industry in the medium to longer-term.

Arun Kapoor: Jio will come in and might cause some disruption. But my sense is that the full video play is likely a couple of years away. Bulk of their revenues for the first couple of years is likely to come from voice and data and less through video. We still need to see how the technology and quality of network works out. The other thing is that at least for the first couple of years they are likely to be present in top tier cities whereas strength of Dish TV lies in all the other towns, all across the country. We see very limited impact on us.

Atul Mehra: More high-end customers that we have in terms of HD subscribers as well as people who get higher ARPU potential are in top tier cities. So, we have perhaps a more medium term threat that these customers switching away or perhaps anything of those sorts that limiting ARPU growth going forward.

Arun Kapoor: When they come in with a high decibel kind of a campaign. It will help expand the market and all platforms will gain from that.

Atul Mehra: Right. And secondly if you can just explain what is exactly the product Rs. 99. Is it the ARPU or what does it exactly mean?

Arun Kapoor: No, that is not the ARPU. This is the base FTA pack for Rs. 99 and then we have 8 to 15 add on packs across the country. Subscriber can actually choose and pick but three packs are compulsory. So the minimum he has to pick-up is 75 so really speaking 99 is no more, this is actually 174 pack, it is a good margin pack for us,

it has flexibility in the hands of the consumer, it is doing well and this is the penetration product for DAS markets.

Moderator: Thank you. The next question is from the line of Nitin Mohta from Macquarie. Please go ahead.

Nitin Mohta: Sir, I wanted to dig a little deeper on the fourth quarter run rate now I understand you have reiterated it but we already one month past in the quarter. So wanted to check the level of confidence on the 0.5 million net additions. The reason I am asking that is stock obviously had a very severe reaction today so, market seems to be discounting that you would miss your FY16 number.

Arun Kapoor: Okay. Let us look at it like this, nine months we have done 1 million it is only in the last quarter that as somebody pointed that the other people gained traction and we said the big reason from our side was management uncertainty and the fact that we did not have this 99 plus 75 product. Now going forward what gives us confidence for the next quarter is one – we have seen good numbers in January on this new product and it is proving to be a good penetration driver. Secondly, we have four months of unadulterated T-20 action and with India winning in Australia there is heightened kind of interest in the whole thing everybody is increasing spends, all platforms are increasing spends and investing behind their brands. So the industry is actually going to go up. There used to be a time when the last quarter October, November, December used to be the festive quarter, used to be the higher quarter. Traditionally we expect this quarter to be much bigger. So a combination of the money we are putting behind our brands, combination of the new product launch and the combination of the industry dynamics plus we expect as Mr. Goel said this DAS being stayed is temporary phenomena maybe one month - two months we do not know exactly but it will take off. This quarter also does not have any examinations. At the gross level January has been very good and we expect this trend to continue for the next two months for this so we are very confident that we will do 0.5 million and meet our guidance.

Nitin Mohta: So that is helpful. Sir, my second question was related to the free dish, is there some resistance that your retail channel partners are facing because of the free

dish product in the market? Is there a push back and do you think that the 99 product is essentially going to address that concern?

Jawahar Goel: Free dish has been there. There has been a little bit talk because of BARC rating. Free dish has been in the scene for so many years but when the BARC rating started there was traction in some of the news channel. They were nervous so shifted from Pay to become free-to-air on DD direct. All these things are going on and on the broadcasting side they are doing experiments. As far as Dish TV is cornered we think that a subscriber and village people first own a bicycle, then they migrate to a motor bike and then a car. So there is room and it is good for us. It is expanding the market and not shrinking it.

Nitin Mohta: Got that. And sir, my final question was on the interest calculation, if I understand this correctly, you repaid the loan amount towards the end of quarter whereas the loans that were generating interest income were called in earlier in the quarter and that is the reason we see the EBITDA mismatch. Should we see that correcting by next quarter?

Rajeev Dalmia: And there was an element of FOREX gain also five crores in the last quarter which was not there in the present quarter. Around 7/8 crores was because of lower interest income as compared to the last quarter because of repayment of loan to the bank.

Moderator: Thank you. The next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: I have two questions. So one thing you launched Zing product about six quarters to seven quarters which was targeting market with low ARPU potential and now you have launched another product for Hindi. Just want to understand what is the experience that you have seen in terms of churn for customers that you acquired through Zing? What is your ability to upgrade those customers? First of all, technically is my understanding is correct, is the Zing set-top box compatible if a customer wants to upgrade to a standard definition pack.

Jawahar Goel: The Zing box is a MPEG 4 box. It is definitely not a high definition box and technically the consumer can access the packaging which we had made only for

Zing otherwise technology wise it is the same product, there is a different branding.

Arun Kapoor: Now to answer your first part of your question Zing was part of a very conscious dual brand strategy. We felt that there was a need for a product which could cater to local regional linguistic content and so it was not envisaged that it should be a discounted product. It is meant to be a product which is very rich in regional content. It is launched in eight states, doing very well and it is catering to need there. Now we have this Rs.99 plus 75 product so we expect both these products to co-exist in the market actually and help us gain more share. So we do not see a conflict there at all.

Jai Doshi: So what would be contribution of these two products to your gross additions as of now the current run rate in the last one month?

Arun Kapoor: For the 99 product it is still early it has just been a month. Zing approximately in terms of gross adds is between around 20% to 22% of gross adds month-on-month.

Jai Doshi: Right. But one thing which I am not very sure, if you answered or so, if a subscriber who has paid for a set-top box for Zing today if he wants to move to a standard definition pack, is it technically possible or he has to invest in set-top box again?

Rajeev Dalmia: See Zing itself there are three four packaging, the Tier-I, Tier-II, Tier-III. So if he wants to move he can move in the Zing packages and the Tier-III pack which is the highest pack in Zing is quite comprehensive. But he cannot go to the normal standard definition.

Jai Doshi: And the Hindi pack that you have launched right now?

Rajeev Dalmia: That is a normal pack of 174 which can go up to say 250 or 390 whatever.

Arun Kapoor: Just one point I want to make here, there is opportunity. We keep calling it 99 plus 174 and that is a combination of three packs coming on but we are getting

'n' number of consumers who are actually taking 11 packs, 10 packs, 5 packs, so actually it is playing out quite well.

Jai Doshi: Got it. And one book keeping question Mr. Dalmia our Infra Support Services revenues have increased sequentially from 1Q to 2Q to 3Q and I think gross additions in 3Q are lower than the first two quarters so, if you could throw some light or color on that.

Rajeev Dalmia: It is directly linked with the number of subscribers added plus some additional services that we are getting in terms of the services that they give post installation.

Moderator: The next question is from the line of Urvil Bhatt from IIFL. Please go ahead.

Bijal Shah: Hi, this Bijal Shah from IIFL. My first question is on HD subscriber addition. What is the contribution of HD on your total subscriber addition?

Arun Kapoor: On a month-on-month basis HD is contributing between 20% to 22% of our gross additions.

Bijal Shah: Okay. I mean what is the meaning of month-on-month basis are you are talking about January?

Arun Kapoor: For the last quarter every month we have industry gross additions and we have about 20%-22% share coming from there?

Bijal Shah: Okay. No, I am asking you that as a percentage of your gross addition so, your gross addition may be around 6.8 lakhs this quarter so of that what proportion is HD?

Arun Kapoor: Similar.

Bijal Shah: 20% to 22% so, that is as percentage of your gross addition.

Arun Kapoor: Yes.

- Bijal Shah:** Okay. And how is your market share in total HD subscriber base right now in India I mean do you have any pointer to give us on that?
- Arun Kapoor:** We have some sense these are broad approximates, we believe that estimated industry is about 5 million subscribers, our base is about a million so which gives us a share of approximately 20%.
- Bijal Shah:** This second question is on ARPU. Now I understand that your accounting is different as compare to others and I completely appreciate the fact that accounting differences do contribute to the lower difference in ARPU that said, on a quarter-on-quarter basis so if I look from 2Q to 3Q peers have reported an improvement in ARPU whereas our ARPU remain same and even they were subjected to increase in service tax as we were subjected to so how do you read that I mean is there anything we should be worried about of that ARPU not growing or you are pretty okay with that and you will catch up going forward?
- Jawahar Goel:** Bijal, if we reduce the service tax and then declare the ARPU there will be an impact and not otherwise.
- Bijal Shah:** Okay. So it is primarily the service tax impact.
- Moderator:** The next question is from the line of Naval Seth from Emkay Global. Please go ahead.
- Naval Seth:** Service tax might increase to 16% in this budget so for next year ARPU, again there would be pressure building on because passing on to consumer has not been a very easy task for the industry so another 2% increase how you look at in terms of what kind of package price increase you will have to take because industry is moving towards the lower end of package price Rs.99
- Jawahar Goel:** When there is substantial increase we as an industry will have to pass on the additional burden of tax to the consumer. So I am saying the 0.5% increase few weeks back was a negligible amount and we had subsumed the additional burden of the service tax in our P&L. But in February when it happens I think wisdom will prevail in all the operating team at this company as well as in my competition and they will pass on to the consumer.

- Naval Seth:** Okay. So do you feel down trading would restrict your ARPU improvement in FY17?
- Jawahar Goel:** I think that on the cable side as we had discussed during DAS-I and DAS-II tiering, dunning and billing has to happen which has actually taken an extended time. This time when the MSOs are pushing the set-top box I think they have learnt from past mistakes. TRAI has also mandated that they should not give a pre-activated box. They will start accounting, the tax authorities are also keeping a watch. TRAI has sent the circular to local tax authorities for service tax and entertainment tax. So things will get better and we will also have a headroom.
- Naval Seth:** Okay. And lastly, sir this year's ARPU guidance earlier was stated at Rs. 178 so any revision you would want to state because as you would have clarity on 4Q ARPU?
- Rajeev Dalmia:** We will come back on this, because there is too much of discussion on ARPU so there may be some slippage.
- Moderator:** Thank you. The next question is from the line of Sumeet Rohra from Kuber India Fund. Please go ahead.
- Sumeet Rohra:** Sir, firstly I would like to say it is highly commendable that in the space you are one of the only companies which has done a free cash flow of 130 crores in this quarter and have repaid debt by 300 crores. Sir very well done on that and many congratulations for the future. Now coming to EBITDA also our EBITDA is about 34.4% in this quarter so assuming that what you are mentioning that if CGST and something on the license fee issues get sorted then just your thought how much can our EBITDA margins improve, sir firstly that is the question sir. Secondly, are we looking at any price hike or something for the existing packs which we have? Sir, thirdly, if I heard correctly, our net debt today is about 560 crores and you are looking to end the year with a net debt of 400 crores so which means that you are going to repay another 160 crores of debt in this quarter. And sir, lastly I just wanted your thought on this license fee as well which I asked you earlier so sir how much can license fee currently we did, so how much can license fee come down to sir just your thoughts please.

- Jawahar Goel:** On the license we got a letter three days back from the ministry asking for the bank guarantee for renewal of license. The ministry has not yet spelled out the terms on which the license will be renewed. Secondly, we are already in the court with TDSAT and in various High Courts so I do not know how and when the license fee will be reset. Also one of our colleagues in the industry had gone to TDSAT to argue for the interest part because in Tata Sky's license agreement there is no provision of interest though as per past practice we are making a provision of 12% p.a. So looks like that within the next quarter there will be some judgement on interest part which will be applicable at least to Tata Sky and Dish TV because we have signed the agreement on the same template.
- Sumeet Rohra:** Sure. Yeah, sir, my other question I was asking that are we looking to do a price hike or something with the upcoming World Cup coming up and all of that?
- Jawahar Goel:** We will make an announcement when we do the re-pricing. In this conference call we are discussing the past quarter.
- Sumeet Rohra:** And once again wish you all the best and would just like to state to all my friend that today I think you are the only company in the world which has got 14.5 million net subscriber with a net debt of 400 crores so I would say sir very well done and look forward to a wonderful future sir. All the best.
- Moderator:** Thank you. The next question is from the line of Deepesh Mehta from SBI Cap Securities. Please go ahead.
- Deepesh Mehta:** Two things, I just need clarification about net debt the 150 crores you suggested is for Q4 repayment or what? And second is can you provide subsidy how much right now we are bearing on per box and what is the course right now working for us?
- Rajeev Dalmia:** See it is Q4 only 150 crores, SAC is around 1,550 today and the cost of the box along with its accessory is around Rs. 2,300.
- Moderator:** Thank you. We would be taking the last question from the line of Ashish from Elara Capital. Please go ahead.

A. Upganlawar: Sir, just on the subscriber addition front to understand now once this stay goes off the DAS-III so do we expect incremental additions to perk up because even after December deadline there has been some seeding of boxes that has happened so one would not have expected your subscriber adds actually to decline on that basis. So what is the thought process here, one should expect subscriber additions to go up from the 0.4 million quarterly number how would should we look at it?

Arun Kapoor: Okay, let me speak for Dish TV only and the not the industry. There are two elements to subscribers going up one is the onset of DAS and the second of this launch this penetration product being launched by us. Now this new product has given us traction, we see numbers going up significantly in the month of January so, while DAS has slowed down because of High Courts stays we believe this is a temporary phenomena. It will pick-up once this is done sometime may be end February or March. To answer your question a combination of our new product with DAS gaining momentum once the dust settles, T-20 cricket advertising spend by everybody will boost subscriber additions so, we actually expect this quarter to be good.

A. Upganlawar: After this quarter is the subscriber addition going to increase from these levels?

Jawahar Goel: See it will continue to grow there will not be a sunset date. Even next two years will be good years and I think the DTH industry will keep on adding 11 million to 12 million annually on gross basis, this is our expectation.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, that was the last question. I now hand the conference over to Mr. Tarun Nanda for his closing comments.

Tarun Nanda: Thank you once again for joining us ladies and gentlemen. We soon hope to have the transcript of this call on our website www.dishtv.in. Look forward to speak to you again at the end of the fourth quarter of fiscal 2016 or even earlier on a one-o-one basis. Thank you and have a great day.

This transcript has been suitably edited for ease of reading.