



## **DISH TV INDIA LIMITED**

---

**1Q FY 2012 TELECONFERENCE  
JULY 20, 2011, 4.30 P.M. INDIA TIME**

**Moderator**

Ladies and gentlemen good day and welcome to the Q1 FY 12 results conference call of Dish TV India Ltd. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. 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 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. Thank you and over to you sir.

**Tarun Nanda**

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

This conference call has been organized to update our investors on Dish TV's performance in the first quarter of fiscal 2012 and to share with you the outlook of the management of the company.

To discuss the results and performance joining me today is Mr. Jawahar Goel – Managing Director Dish TV India Ltd along with the senior management team of the company including Mr. R. C. Venkatesh – CEO, Mr. Salil Kapoor – COO 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 our outlook for

the future is a forward-looking statement that must be taken in the context of the risks that we face.

Before we start I would request media organizations to please refrain from participating in this con-call since this has been organized purely for our investors and analysts.

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

**Jawahar Goel**

Thank you Tarun. Good evening ladies and gentlemen and thank you for joining us today to discuss the results of Dish TV India Ltd for the quarter ended June 30<sup>th</sup>, 2011.

Dish TV continued with its strong performance in the first quarter, adding 725 thousand new subscribers, increasing its base to 11.2 million gross and 8.9 million net subscribers at the end of the period.

As DTH continues to benefit from consumers increasing preference for superior digital content, Dish TV remains committed to be the platform of choice for television viewing for the Indian consumer. Through constant upgradation of content and technology, Dish TV has maintained its leadership in a hyper-competitive six player market and would strive to maintain it as the category expands.

In line with its promise to provide wholesome entertainment and to further leverage its transponder capacity on a second satellite, Dish TV recently added new regional channels for its Telugu, Kannada, Oriya and North Eastern viewers. Dish TV also, further strengthened its HD offering to 40 channels with the recent

inclusion of HD content from 'Fox International' and 'National Geographic'.

High Definition activations however witnessed a marginal slow down, as anticipated, post the Cricket World Cup. They are expected to pick up as new HD content is added to the platform.

The key operating metrics continued to be in line with expectations. Subscriber acquisition cost for the quarter was down to Rs. 2,058 compared to Rs. 2,224 in the immediately preceding quarter. Average Revenue per User remained steady at Rs. 150 despite a higher subscriber base. Subscriber inactivity post the cricket World Cup 2011 resulted in a marginal upward movement in churn which closed at 1.1% per month compared to 1% in the immediately preceding quarter.

Let me now highlight the key financials. Subscription revenue for the quarter stood at Rs. 3,922 million recording an increase of 57% over the corresponding period last fiscal. EBITDA recorded was Rs. 1,122 million, with the margin further strengthening to reach 24.4%. Net loss reduced to Rs. 183 million compared to Rs. 631 million in the first quarter last fiscal, thus making bottom-line profitability visible in the coming quarters.

With this, I thank you again for joining us and would now like to open the floor for the questions and answers session.

**Moderator**

Thank you very much. The first question is from Abneesh Roy from Edelweiss. Please go ahead.

- Abneesh Roy** If you could give the breakup of the revenue in terms of subscription, lease rentals, bandwidth, etc.?
- Rajeev Dalmia** The subscription revenue was Rs. 392 crores, lease rental was Rs. 55 but would have been higher by around Rs. 5.5 crores but for the write-off that we had to do on account of set top boxes older than 500 days. Teleport was Rs. 3 crores and bandwidth and other charges were around Rs. 9.5 crores.
- Abneesh Roy** Sir, seeing the ARPU which is flat and the subscriber base addition at around 7.5 lakhs, what's the number we are expecting for the full year in terms of the exit ARPU and subscriber additions?
- R. C. Venkateish** As far as the exit ARPU is concerned, last time we guided the Rs. 160 to 165 range, we continue to maintain that and as far as the subscriber additions for the full year are concerned, we talked about 3.0 to 3.5 and we stick to that.
- Abneesh Roy** Do you think that the run rate which we saw in Q4 for HD was kind of one-off and do you think that based on festivals and new addition in channels, you can come back to the Q4 run rate?
- R. C. Venkateish** Definitely, we will come back to the Q4 run rate but since that was the first quarter which saw high level of launch activities and also coincided with the Cricket World Cup, the initial spike was high. In second quarter the IPL did not perform as expected, it was quite dull. So the overall run rate has come down but with the addition of new channels, we certainly expect it to pick up in coming quarters.
- Abneesh Roy** But sir how much we have done in HD this time? In Q4 we had given the breakup.

- R. C. Venkateish** Earlier, we were tracking around 7-8% of incremental ads, we are now currently at around 5% to 5.5% of incremental ads.
- Abneesh Roy** And one last question is on the SAC, if you could give the breakup of SAC and do you think that it can come down further, now that you are taking rate hikes in your set top box, where do you see that trending ?
- Rajeev Dalmia** The breakup would be around Rs. 1600 for set top box, Rs. 250 for selling and distribution cost and the balance towards marketing cost.
- Abneesh Roy** And lastly, on the ad revenues how much we have done in Q1 and what is the expectation because there is a slowdown in ad, but we are on a very small base?
- Rajeev Dalmia** The ad revenue was around Rs. 1.5 crores, which is almost the same as the last quarter.
- Abneesh Roy** But last quarter you had said that, we expect ad revenues to go up significantly in FY12, does that look a bit difficult now?
- R. C. Venkateish** No, it will go up significantly, this is a completely new media, we are writing in contracts to commit advertising but it will take some time for it to acquire consistency. So in terms of booked ad revenues, we are substantially ahead of where we were. But those have to be actually realized in terms of actual running of ads. So overall in terms of the improvement, you will see substantial improvements through the year in terms of the ad revenue.
- Moderator** Thank you. The next question is from Grishma Shah from Envision Capital. Please go ahead.

**Grishma Shah** This is regarding the Note 5 and 6 in your result press release, if you could elaborate on both of them?

**Rajeev Dalmia** Note no. 5 is a brought forward note and I think we will continue with the same as long as we are not moving on to IFRS. With IFRS we will switch to either 5 years or 3 years. Note number 6 is about short deduction of TDS from a few parties about which the company has decided to appeal. So as a precaution it has been given as a note, it is a very general phenomenon, wherein we have to deal with the content provider and others. The Tax department said that the rate at which tax is deducted should be higher than the rate at which we are deducting. So we need to wait for the outcome, we are already in appeal.

**Grishma Shah** So have we provided for it or just a demand from them, there is no provision which has been made?

**Rajeev Dalmia** It is not required to be provided as long as we are not certain about it.

**Grishma Shah** And just one more question on the programming and the content cost which has increased this quarter?

**R. C. Venkateish** As you know we have fixed fee contracts with most of the major broadcasters. The contract allows for certain escalation every year, that escalation will be most pronounced in the first quarter because it comes on the first quarter revenue, which is the lowest for the full year. At the close to that year that percentage will come down.

**Grishma Shah** But the absolute amount should stay going ahead?

**R. C. Venkateish** That's right, that is the whole idea to fix the deal. Once that implementation happens in the first quarter and then it remains flat right through the year and then next year it is a steep jump.

**Moderator** Thank you. The next question is from Nitin Mohta from Macquarie. Please go ahead.

**Nitin Mohta** My question was more on the alliances that have been talked about in the media between broadcasters, does that really change the competitive landscape for you guys?

**R. C. Venkateish** As far as those alliances are concerned, in fact, for most of those broadcasters in question, we already have arrangements of varying duration. Certainly, some consolidation is there, it does give a little more leverage to the broadcaster in question, but on the counter point with very fast growing subscriber base that we have, we also have equal leverage. So net-net I do not believe it's going to be anything which is out of the ordinary.

**Nitin Mohta** The rate hike that you have taken on the set top box, is that the reason why your subscriber addition is softening or do you think as of now you have not seen any impact on subscriber additions because of those rate hikes?

**R. C. Venkateish** I won't say we have not seen any impact on subscriber addition because we took the lead in increasing the box price once in February, once again in July and in a very short-term, we will see an impact because for a customer entry price has gone up from Rs. 990 to 1499. There will be a temporary blip but very quickly that will reverse.

**Nitin Mohta** But you are still maintaining your 3 to 3.5 million subscriber additions?

**R. C. Venkateish** Yeah 3 to 3.5 is the range that we are comfortable with.

**Moderator** Thank you. The next question is from Marc Franklin from Henderson. Please go ahead.

**Marc Franklin** My question is related to ARPU. ARPU quarter-on-quarter was flat with Rs. 150 per month. Can you just explain why it is flat Q-on-Q and what your outlook is for ARPUs over the next 2-3 quarters?

**R. C. Venkatesh** Marc, if you see how the ARPU has been progressing, in the last quarter we got the full benefit of the price increases that we have taken and so we had a substantial jump in ARPU which moved up from 142 to 150. There are three ARPU drivers in our business model; one, of course the plain vanilla price increases that we take from time to time, the second is the pack mix which is the upgradation of customers from low value packs to higher value packs and the third element is the HD. We are executing on all these three strategies and as far as the sequential increase is concerned, the last quarter's ARPU also included an accretive element which came due to a lot of people taking a-la-carte packs for the World Cup, which was not available in this quarter. So net on net, as far as the ARPU progression is concerned, I think you will soon see a resumption of the upward movement.

**Moderator** Thank you. The next question is from Ankur from Religare Capital Market. Please go ahead.

**Ankur** Sir please correct me if I am wrong, I believe there were one or two content providers who were due for the long-term contract renewal, has that already happened or is it still to happen in the coming quarters?

**Rajeev Dalmia** That will happen around the second quarter.



**Ankur** And it's only one provider or two of them?

**Rajeev Dalmia** One.

**Ankur** And secondly, on the hike in lease rentals I believe the entire impact of that will be coming from next quarter onwards, am I right on that?

**Rajeev Dalmia** Yes.

**Ankur** And lastly is this hike primary the reason for relatively lower subscriber additions this quarter and secondly, your outlook on the competition overall?

**R. C. Venkatesh** Yeah I addressed that in the previous question, that certainly in the short-term because of a very substantial price increase of close to about 30%, there will be some impact on the overall market pickup because obviously when you raise prices by that amount then you get a little bit of pushback in market but we see that only as a temporary blip and we will recover that going forward soon. But as far as our first quarter numbers are concerned, there is a seasonality in our business if we analyze going backwards, the pattern of subscriber additions sequentially quarter-by-quarter through the financial year, we normally tend to get about 40% to 43% of our subscriber additions in the first two quarters and 56% to 57% in the second quarter because the third quarter is normally a very heavy quarter for us because of the festive season and last year the third and fourth quarters were heavy because of the festive season as well as the cricket World Cup. Last year during the same quarter we did 6, 44,000 subscribers. So year-on-year there is a growth in subscriber addition but still because of the box price increase, we expect that there will be some push back in the second quarter only.

**Moderator** Thank you. The next question is from Saurabh Das from Sundaram Mutual Fund. Please go ahead.

**Saurabh Das** My first question is regarding the commission cost, although not a very significant line item but it has gone down quite sharply sequentially. Even if I compare it to first quarter FY '11, where we added a lower number of, almost a similar number of subs 640 and then 757, still commission costs are much higher than what it is today. So has there been any reset there?

**Rajeev Dalmia** Last quarter it was higher because we had the World Cup, so we provided some extra schemes to the distributor and dealer and commission comprises of two factors, one is the distribution commission and other is the recharge. So recharge in the first quarter last year we used to pay 5.5% to 6%, today, we are paying only 4%. There is a difference of 1.5% to 2% in the recharge commission paid to the dealer and distributor. And in terms of new commission, we saved around Rs. 75 this quarter because there was no special scheme given for any event.

**Saurabh Das** I actually wanted to touch upon this, we are increasing our box cost as well as we are reducing or saving a little bit on the distribution. How is competition reacting to all of this, has there been any similar hikes by competition on the distribution front do you see, a similar cut back by them or only we are taking the lead and so far nobody has followed?

**R. C. Venkateish** No, in fact in both instances, both in February as well as July we took the lead in increasing the box prices and very, very quickly competition followed, in fact, as we speak most of the players barring

one player in the South which is the regional player, everybody has taken the price hike.

**Saurabh Das** One thing on the balance sheet, what's the gross debt and cash on the books?

**Rajeev Dalmia** Gross debt today is around Rs. 1050 crores and cash continues to be around Rs. 370-380 crores. Since we received around Rs. 90 crores from advances given to some of the group companies the entire cash flow requirement for the quarter was met by those 90 crores, which we received.

**Saurabh Das** Do you expect the overall debt levels to start falling from somewhere around next year?

**Rajeev Dalmia** The debt level may not fall but the rate of interest or the amount of interest outgo will fall because we are converting our rupee debt into foreign currency debt. So there we can save around 4% to 5% and the process has already started from last quarter.

**Saurabh Das** Which is showing up the interest cost being lower this quarter?

**Rajeev Dalmia** Yeah.

**Saurabh Das** Is this the run rate which we can largely take?

**Rajeev Dalmia** You can take except in one or two quarters, there may be one-off like it was there in the last quarter around Rs. 8 crores, whenever we are taking new loan we have to pay some upfront fees, so that maybe an aberration, otherwise rate of interest will continue to be the same.

**Moderator** Thank you. The next question is from Vikash Mantri from ICICI Securities. Please go ahead.

- Vikash Mantri** Good afternoon sir, just wanted to understand the reason behind increase in churn in this quarter?
- R. C. Venkateish** As I mentioned earlier also, we had box prices in the second and third quarter of last year coming down substantially and the entry barriers in the DTH market had come down to Rs 990. The volume surged but along with that there was obviously some follow on implication on churn. So, increasing the box prices, serves two purposes, one is too obviously to improve our metrics by reducing the SAC, at the same time we will be able to combat churn as well.
- Vikash Mantri** Sir, what is our policy in accounting for churn, when do we account a subscriber as churn?
- Rajeev Dalmia** It is 120 days past due.
- Vikash Mantri** So sir, then the recent subscriber acquisition during World Cup, since it is not more than four months post that, those would not have accounted for the churn, the churn reason would be subscribers which are more than let us say acquired an year back.
- Rajeev Dalmia** No it can't be a year; there are subscribers who churn, maybe after two months or one-month also.
- Vikash Mantri** Yes but a bulk of them would not be the churned subscriber because even if I subscribed in the World Cup and immediately did not stop paying the next day, I would not be counted as churn because it's only three months after that and since 120 days is our benchmark. So the reason behind is churn cannot be attributed to the high acquisitions during the World Cup?

**R. C. Venkateish** No part of that is there. World Cup started in February; so February to May, is 120 days. People who came in the early part of February are also there because we certainly had a lot of floaters who came in during the World Cup.

**Vikash Mantri** Is it fair to say then that by next quarter or the quarters ahead, the churn will come back to the original level rather than the current levels?

**R. C. Venkateish** Since there is a four month lag effect, that lag effect will have to flow through, so it will take two quarters for it to come back.

**Moderator** Thank you. The next question is from Siddhesh Godhani from Span Capital. Please go ahead.

**Siddhesh Godhani** I want to understand how are license fees different from programming?

**Rajeev Dalmia** License fees are shown separately because it is more than 10% of gross revenue.

**Siddhesh Godhani** And how is it, can you help me in clarifying what is the license fee?

**Rajeev Dalmia** It is the amount paid to the Ministry of Information and Broadcasting based on the licensing agreement.

**Moderator** Thank you. The next question is from Beram Gazdar from Mape Securities. Please go ahead.

**Beram Gazdar** My question is regarding the commission that we pay to the dealers, I mean is the management open to increase the commission, in case we see slowing in demand and will the management be open to increase the commission in the third quarter, which is a festive season?

**R. C. Venkateish** The function of demand is driven by consumers, so there are multiple elements which finally determine the demand, the dealer commission is only one part of the overall pie because obviously other promotional activities including marketing activities play their significant role in it. During the festive season, it is a general practice for the industry to step up both the marketing and the promotional spend which is reflected in the third quarter P&Ls every year of the entire DTH platform. So we would plan our strategy accordingly, it is not reactive in nature but proactive.

**Beram Gazdar** One more follow question, what would be landed prices of the set top boxes?

**Rajeev Dalmia** It is around Rs. 2400.

**Moderator** Thank you. The next question is from Amit Kumar from Kotak Securities. Please go ahead.

**Amit Kumar** Sir, I just wanted to clarify one point, what was the rental income that you booked in this particular quarter?

**Rajeev Dalmia** Rs.55 crores.

**Amit Kumar** I think you also mentioned that there was some additional component that you wrote off?

**Rajeev Dalmia** Yeah Rs. 5.5 crores, otherwise this would have been Rs. 60 crores, because if you see the last quarter number, that was also Rs. 55 crores.

**Amit Kumar** So this write-off you're talking about is in depreciation?

**Rajeev Dalmia** Yeah, it is an accelerated depreciation.

**Amit Kumar** That is exactly what I want to understand. You take money from the consumer as an advance, so even if that consumer is churned out whatever is the left out portion of that advance you should actually be booking it in accelerated revenue also?

**Rajeev Dalmia** But if the depreciation amount is higher than the rental amount.

**Amit Kumar** Okay so that's where the difference is coming from. Got it, I also wanted to understand this content cost, most of the fixed year arrangements that we have, we have been talking about 8% to 10% escalation, while the escalation that we are looking at in this particular quarter seems to be quite high. So is there anything one-off, is there anything else to do?

**R. C. Venkateish** No, you have to annualize that cost over the full-year.

**Amit Kumar** Because, I am looking at your annualized number also for last year, it was just about Rs. 130-odd crores, while we are looking at just about 158 this time. So it still doesn't actually come within that benchmark.

**Rajeev Dalmia** No, Rs. 130 crores should be for the quarter, it cannot be annual. For the whole year, it was Rs. 450 crores.

**Amit Kumar** Probably I can look at this in a little bit more detail. Finally, on the advertising and promotion expenses that has also been quite low in this particular quarter. So again is it the scenario that, we have a lot of free advertising time from the broadcasters or channels associated with the platform?

**R. C. Venkateish** As a part of our content negotiations, we do get a fair amount of free advertising, but that is not the primary reason for that. If you are comparing it with the last quarter, we had taken fairly substantial

investment in the cricket World Cup last quarter. So therefore the comparison with the last quarter will seem high.

**Amit Kumar** So from a full-year perspective, what sort of full-year investment in advertising and promotion are we looking at right now?

**R. C. Venkateish** Around Rs. 120 crores.

**Amit Kumar** I is just about only Rs. 15 crores in this particular quarter, so for the rest of the year it is going to be more than Rs. 100 crores investment in advertising?

**R. C. Venkateish** We get close to about 36% to 40% of our total business in the third quarter, which is a festive season. Normally, most of our activities queue towards the end of second quarter and mostly in the third quarter. So it's not that it is evenly spread over year because a very substantial jump comes from the third quarter.

**Moderator** Thank you. The next question is from Ashish Urganlawar from Spark Capital. Please go ahead.

**Ashish** Just one question on the cost of funds, you said that it is going to go down. So what is the current cost of funds for us and how do we look at it on an annual basis?

**Rajeev Dalmia** It was around 10.5 to 11%, today it is around 9.5%.

**Ashish** And for the full-year how do we look at it?

**Rajeev Dalmia** If there is no other rate hike, it should be around 8.5 to 9%.

**Ashish** On an annualized basis?



**Rajeev Dalmia** Yeah.

**Ashish** I wanted the breakup of this 1499 that you're charging from the customer, how does it stack up between different revenue items?

**Rajeev Dalmia** Rs. 800 goes towards rental, 300 goes to activation charge, 100 is distribution commission, 180 goes for dealer commission and around Rs. 85 to 90 is VAT.

**Ashish** On the commission, we saw quite a big dip from our quarter-on-quarter basis, you explained some reasons for that, some Rs. 75 saving and some reduction in the percentage from 5.5 to 4, is that all that we are looking at? How should we read that on an annualized number percentage wise?

**R. C. Venkateish** This is also linked to the volumes; we did 725,000 subscribers in this quarter as compared to 1 million subscribers in the last quarter, so the subscription directly correlated with the total volume.

**Ashish** But it should stay on a low level compared to last year as a percentage?

**Rajeev Dalmia** As far as recharge commission is concerned, it will be around 4% only. The commission paid to the distributor will be event led, because in the third quarter we generally tend to pay more than the first two quarters. There is variation on a per activation basis going forward. But broadly, it will be around the same level.

**Moderator** Thank you. The next question is from Shreya Mini from Wealth Management. Please go ahead.

**Rajiv** Good evening sir, this is Rajiv here from Wealth Management. Can you throw some light on what could be the dip in collection cost because the subscriber base is quite large and we have seen in the telecom industry that the collection cost can go down significantly, we have already seen that but how much further can it go down?

**R. C. Venkateish** It was highlighted that it has come down from 6% down to about 4%. We are still quite small, so we don't expect any dramatic movement from where we are.

**Rajiv** In terms of the distribution cost for HD services, in terms of transponder capacities and all, is it a significant cost and can you share some light on, will they require a certain amount of customer base to make that business profitable?

**R. C. Venkateish** Yeah, there is a transponder cost associated with the new satellite, which is in the region of about \$1 million per transponder per annum but the number is small, so we are not looking at it. There is no incremental cost as far as anything else is concerned.

**Jawahar Goel** I want to add here that other DTH operators are operating on a single satellite. We have a large customer base, so we have to have certain amount of redundancy. It helps Dish TV to have a second satellite in place so that in the eventuality of satellite failure we can service our customers from the second satellite. Of course, we are using it for high definition but it is also redundancy.

**Moderator** Thank you. The next question is from Rohan Gala from Subhkam Capital. Please go ahead.

**Rohan Gala** Sir I guess you have cash of around Rs. 370 crores. Any fund raising activity seen going ahead?

- Rajeev Dalmia** No we are quite comfortable for the rest of the year.
- Moderator** Thank you. The next question is from Rahul Chadha from Mirae Asset Management. Please go ahead.
- Rahul Chadha** What are the steps you are taking to reduce the churn, if you could just elaborate on customer service and all those things?
- R. C. Venkateish** The entry cost has been raised, so that itself is a big barrier to churn. Secondly, as you said as far as CRM initiatives are concerned, we have plenty ongoing initiatives to engage with our existing customers at various levels. We have a preferred customer program and we have loyalty programs and many other programs that we reach out to these customers to keep them engaged with our service, and that is an ongoing exercise in our overall relationship management program.
- Rahul Chadha** Okay, and if you could also elaborate on the decision to increase your market share, last year we saw Dish increasing market share at the customer level. So what are the self plans for this year to increase the market share in the key seasons ahead?
- R. C. Venkateish** The market share increase strategy is basically to build on our marketing strengths on one hand and build on our distribution and recharge distribution strength on the other so that, we are most highly penetrated DTH platform and we have executed against that today in terms of distribution reach. As far as marketing spends are concerned, last year we had spent around Rs. 80 crores and this year we have upped the marketing investment to Rs. 120 crores. We hope to continue to retain our market leadership position, which we have maintained for the last eight quarters running.

- Rahul Chadha** And finally are there more, HD channels on the anvil on the DTH platform?
- R. C. Venkateish** Another five, bringing our total up to 40. And certainly more content providers are now looking at providing their content in HD as well and that is good for the category.
- Moderator** Thank you. The next question is from Sudhir Kedia from ASK Investment. Please go ahead.
- Sudhir Kedia** For churn rate, when you are counting 120 days from which date are you counting, is it from the first due date or from the first paid date?
- Rajeev Dalmia** No it is from the due date of the payment.
- Sudhir Kedia** And sir in terms of recharge, what percentage of total recharge is done through the dealers on which we are paying a commission of 4%.
- Rajeev Dalmia** It is more than 90%.
- Sudhir Kedia** So most of the recharge is done through the dealers.
- Rajeev Dalmia** That is the industry practice because most of the subscribers want to have some kind of relation with the dealer.
- Sudhir Kedia** Okay, but is this trend likely to change?
- Rajeev Dalmia** It is changing, like when we started it was 100%. In some months, it becomes 86-87% also but there will not be a dramatic change in the days to come. It is a habit.

**Sudhir Kedia** Right and sir, are we getting some kind of carriage fee the way cable distributors get from the broadcaster in terms of cash or kind?

**Jawahar Goel** In digital mode - whether it is digital cable or DTH, there is no placement fee. The carriage revenue is marginal compared to other revenues and will take time to catch up. .

**Moderator** Thank you. The next question is from Utsav Mehta from Derivium Tradition. Please go ahead.

**Utsav Mehta** When you say that your content cost is going to jump by about 10%, does that include the renegotiation of the one contract that you are supposed to do in the next quarter?

**Rajeev Dalmia** More or less, yes.

**Moderator** Thank you. The next question is from Rajiv Sharma from HSBC Securities. Please go ahead.

**Rajiv Sharma** Sir if you can help me understand, what is the difference between carriage fee and placement fee? And second if the DTH community as a whole is getting good traction on the subscriber front, what stops them from not charging placement fee or carriage fees more of that to what is being done already, and second, what has been the progress on the TAM side in terms of numbers or in terms of months, how far we are from the objective?

**Jawahar Goel** TAM has already started the measurement. They have taken 15% to 17% as DTH weightage. In an analog cable environment, there is limited frequency of 50-55 channels, so the cable operator charges to the broadcaster, a carriage fee which also includes placement fee for the frequency for which you have contracted for. You can contract for

various frequencies like S8, S9 etc. In DTH, digital cable and IPTV there is no potential placement, because all channels are in digital mode and are on equal frequencies. So only carriage fees component is there, to some extent.

**Rajiv Sharma** What if DTH industry continues to evolve with subscriber traction what stops the sector as a whole from not raising this carriage fee?

**Rajeev Dalmia** See it will either be reflected as an income of carriage fee or it will be reflected as a reduced content cost.

**Moderator** Thank you. We have a follow up question from Amit Kumar from Kotak Securities. Please go ahead.

**Amit Kumar** Sir, just wanted to understand, in the Rs. 370 to Rs. 380 crores of cash that you are talking about, is there any other amount also in any of the loans and advances to third parties or the sister company?

**Rajeev Dalmia** Yeah around Rs. 50 crores, which we expect to receive in the next two quarters.

**Amit Kumar** Finally, I just wanted to understand in this particular quarter and in general what sort of comparative intensity are you witnessing on the ground especially after this box price hike that you have taken, how has competition really reacted to that?

**Rajeev Dalmia** The competition has followed by taking the price up as well. As I said earlier, all major players with the exception of one regional player have moved along with us.

**Amit Kumar** Okay and what would be your estimate of the incremental market share of Dish TV for this particular quarter?

- Rajeev Dalmia** We have an incremental market share of 25%.
- Moderator** The next question is from Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy** Sir on the regulatory front, any development either on FDI or on the sunset clause?
- Jawahar Goel** It is monsoon holiday.
- Abneesh Roy** And sir one of the South Indian states, there is a change happening in the cable landscape. Do we plan to monetize that in some way?
- Jawahar Goel** We are waiting. So far it is a public statement and we are monitoring the situation.
- Abneesh Roy** And sir on the 25% incremental market share, is there any floor market share beyond which we will become more aggressive because the incremental market share has come down slightly. So is 25% okay with us or is 20% okay with us because ideally you will say that 17% is good enough. But is there any floor market share?
- R. C. Venkatesh** Abneesh, if you look at it quarter-on-quarter, it keeps fluctuating between 25, 26 to 28 on the upper hand, because it is a six player market and there is significant level of competitive intensity, but we have been moving in that region only.
- Moderator** Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the floor back to Mr. Tarun Nanda for closing comments.
- Tarun Nanda** Thank you once again for joining us ladies and gentlemen. We soon hope to have the transcript of this call uploaded on our website

[www.dishtv.in](http://www.dishtv.in). We look forward to speak to you again at the end of the second quarter of fiscal '12 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.*

