



DISH TV INDIA LIMITED

1Q FY16 EARNINGS TELECONFERENCE JULY 28, 2015, 4.30 P.M. INDIA TIME

Moderator: Ladies and gentlemen, good day and welcome to the Dish TV India Limited Q1 FY16 Earnings 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 touchtone 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: Thank you Inba. 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 30th June, 2015. To discuss the results and performance joining me today is Mr. RC Venkateish - Chief Executive Officer of Dish TV India Limited along with Mr. Rajeev Dalmia - CFO and Mr. Salil Kapoor - Chief Operating Officer. We will start with a brief statement from Mr. Venkateish and we 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 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 please request all media representatives who may have joined in to please disconnect immediately since this call has been organized for investors and analysts only. I would now request Mr. Venkateish to address the participants.

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

Dish TV added 390 thousand net subscribers during the first quarter reaching a net subscriber base of 13.3 million at the end of the period. We added the highest ever Q1 subscriber adds in the last three years and had a Gross subscriber incremental market share of 27% during the first quarter.

Led by robust subscriber additions and an improving ARPU, subscription revenues for the quarter increased 21% over the corresponding quarter last fiscal. EBITDA of Rs. 2,368 million recorded a significant 51% jump over the corresponding quarter. Net Profit for the quarter was Rs. 542 million compared to a loss of Rs. 150 million in the first quarter last fiscal. The resultant free cash flow was Rs. 689 million.

Amid improving financial performance, churn for the quarter remained steady at 0.7% per month.

Post consolidation, our resultant ARPU for the quarter was Rs. 173 as compared to Rs. 172 for Q4 FY15, on a like-to-like basis. ARPU however would have been Rs. 180, as compared to Rs. 179 in Q4 FY15, without the effect of consolidation.

With effect from April 1, '15, we started netting-off certain collection fees paid to the company's trade partners from the topline. This has resulted in the topline getting shrunk by around 4% with a similar number being decreased from the middle line.

Despite Q1 being a relatively weak quarter seasonally, Dish TV gained subscribers both in the Phase 3 and 4 markets as well as in the upmarket localities in the country.

Our regional offering, 'Zing', would soon be launched in Kerala and would carry the largest cache of vernacular channels offered in that market.

High definition continues to be a value driver and a key differentiator for us compared to other DTH offerings in India. Dish TV's industry leading bandwidth capacity supports 42 HD channels, the largest on offer by any distribution platform so far.

Dish TV has been actively contributing to the 'Digital India' movement by digitizing analog TV homes in DAS phase 3 & 4 markets and remains optimistic about its prospects to acquire a substantial share in these markets. Collectively, DAS Phase 3 & 4 markets have an 80 million household potential, a large part of which is expected to be lapped up by the DTH industry.

I would now like to open the floor for the question and answer session.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Our first question is from S Salgaonkar of Bank of America.

S Salgaonkar: My first question is based on your old reporting numbers. What could have been the 1Q revenue numbers and same if you could give for FY15 also? I presume not much change in EBITDA because of this change.

RC Venkateish: It is 769 crores versus 751 crores in the previous quarter.

S Salgaonkar: And for FY15 if you could provide that number.

Rajeev Dalmia: FY15 let us discuss later on because we don't have the figure right now.

S Salgaonkar: And I presume no change for EBITDA because of this accounting change?

RC Venkateish: There would be a marginal change. One of the reason why we did this is basically we were paying license fee on collection costs so that 4% actually drops into the EBITDA line.

S Salgaonkar: Second question is obviously a great margin improvement once again. What could you call more like a steady-state margin; is there a further room for margin improvement and what could be the drivers for that?

RC Venkateish: This is very difficult to put to a steady-state number because we obviously are in the business in which we have significant opportunities and headroom to continue to increase ARPU. And so long as we are able to improve the ARPUs without having to inflate the middle line at the same rate at which we are able to grow revenues, margins can increase sustainably for reasonable period of time so it's difficult to pin a number.

S Salgaonkar: And my last question is on digitization now we have a new TRAI chief, just wanted some feedback on the ground, how are things approaching, clearly the timeline is something which the risk of it getting postponed is out there so how do you look at that?

- RC Venkateish:** No, from all our interactions whether with the TRAI or the ministry, they have made it very-very clear that they are not looking at any postponement. They have been having regular consultations and meetings with all the stakeholders and we have been part of that as well. Certainly the determination seems to be there to make sure that digitization goes ahead as planned. We will have to see how the implementation process in the rollout actually happens because that is going to be crucial. And we do expect that it will be a gradual process, it will not be an overnight event.
- S Salgaonkar:** Just a last follow up, for that do you see the need of building up further inventory of set-top boxes as we approach the timeline?
- RC Venkateish:** As we said we believe it will be a gradual process so we don't expect sudden spike in demand so we are building up some inventory, not anything outlandish. But we will have the wherewithal to supply any demand that arises out of these markets.
- Moderator:** Thank you. Our next question is from the Abneesh Roy of Edelweiss. Please go ahead.
- Abneesh Roy:** Sir my first question is in Delhi if you see e-tax has been increase sharply from Rs. 20 to 40. So how this will impact numbers, how much is Delhi as a percentage of revenues? And you also said in your earnings release that 'Comnet' which is your JV with Siti Cable that will somehow help. So when do you see it meaningfully start helping in this?
- RC Venkateish:** On the first question, we will be passing on that increase because of our differential pricing and other DTH and cable operators are also planning to pass the increase on the consumer. So we don't anticipate that it is going to have any impact because if everybody increases the prices then there isn't any competitive impact to that. Your second question, on that it is something which will evolve as you know most of our major deals have already been locked up till next year. Some of the smaller deals, the smaller broadcasters might open up and then the synergies with Siti Cable start playing out.
- Abneesh Roy:** Sir ARPU like to like is just Rs 1 movement quarter-on-quarter, taking the February issue it should have gone up a bit more so what has happened there?

RC Venkateish: In Q4 typically the ARPU would have normally have gone down because of the lower number of days. But because of the World Cup and the momentum we actually managed to have an increase despite of the Q4 effect. The increase in this quarter is as you say, yes, it's about 1% but we do expect that this will improve going forward and we are sticking toward 6% to 7% increase.

Abneesh Roy: Sir my last question is on the financials line item so interest cost is up 21% Y-o-Y, 5% quarter-on-quarter and employee cost also some 40% increase quarter-on-quarter and 35% increase Y-o-Y so why these two items are up?

Rajeev Dalmia: The employee cost is higher because of revaluation of gratuity and leave encashment based on the current accounting standard guidelines. And secondly there was some element of bonus although very small which was distributed. But for that it would have been 33-34 crores but major impact is of the gratuity and leave encashment as you must have seen all of the companies have also been impacted especially the service-oriented industry where large number of employees are there. Because there is a change in the valuation of gratuity and leave encashment and we need to abide by that. As long as interest is concerned I think it is steady rather.

Abneesh Roy: Yes 5% quarter-on-quarter, 21% Y-o-Y.

Rajeev Dalmia: Yes 5% increase is there, which is because if you see the total debt that we have today is 1450 crores. Earlier we used to have a small rupee debt, now we have around 550 crores as rupee debt and 132 million as dollar debt. As we convert from dollar debt to rupee debt which is almost now 50-40. The element of interest will be slightly more otherwise it would have been coming as cash flow because of the hedging cost but now it is come in as interest cost.

Abneesh Roy: So interest cost can go up further.

Rajeev Dalmia: We would like to gradually maintain 50-50 so it will be in this range only and we got some benefit of interest in the last month because of operating improvement from A- to A so it will neutralize, if any movement is there from dollar to rupee, maybe 3%-4% in the present quarter.

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

Nitin Mohta: I had one question regarding the operating metrics. If I look at the net addition number while its very strong compared to Dish TV's history some of your peers have reported and even better number. So just wanted to understand what's really happening in terms of market share dynamics.

RC Venkateish: As far as the incremental shares are concerned we had the leading incremental share for the quarter at 27%. Some of the peers I think you are referring had very surprisingly low churn numbers, there might be something at play there I don't know.

Nitin Mohta: And secondly on the ARPU front as well on a like to like basis gone from Rs 179 to Rs 180. But industry has been talking about a better ARPU improvement so is this lower ARPU improvement for us is a function of Zing doing very well or is it that peers are actually trying to prune their base of the free view period and freebies that they had included earlier and that's why ARPU has improved dramatically?

RC Venkateish: No we don't have much of free view and freebies. You are right Zing we have been actually expanding geographies and accelerating. To some extent that tends to pull at the lower end. We have been able to largely compensate it to a large extent by increasing the velocity of the uptake of high definition so that tends to neutralize it. But yes as we go into Phase-3&4 markets and go deeper into rural areas, you are talking about areas where the ARPU is lower, the gross margin in fact is higher because of lower content cost. So that's a bit of a trade off and the dynamic will come into play which is why we have not been very aggressive and guiding for ARPU increases and we are talking about 6% to 7% which we think is quite achievable.

Just one additional point on your last thing, we probably are the only operator who reports ARPU on subscription revenue and everybody else reports on gross revenue and there are whole lot of items which will come in and sort of not make those comparisons as fully relevant when you look at it.

- Nitin Mohta:** You were explaining the differential on the ARPU front because if I understand even activation revenues are recognized by us as well in the P&L so what else are the components which peers might be including and distorting the ARPU comparatively?
- RC Venkateish:** Not distorting, it is just an MIS metrics so it depends how we want to reflect it. I don't think anybody is distorting the ARPU. What they add is advertising revenue, carriage charges, any other income which is a part of the top-line, all of that goes into ARPU calculations. But we've historically always kept our ARPU definition purely around subscription revenue.
- Nitin Mohta:** Last quarter you have talked about contribution of Zing and HD to the net addition. A request if you can get that number on a quarterly basis, it would be very helpful for the investors per se.
- RC Venkateish:** Yes we have been mentioning that so it is about 22% for Zing and about 20% stand for HD which is slightly lower than last quarter because last quarter we had the World Cup and we had slightly better uptake.
- Moderator:** Thank you. Our next question is from the line of Vikash Mantri of ICICI Securities. Please go ahead.
- Vikash Mantri:** Sir first wanted the breakup of the revenues in the different line items.
- Rajeev Dalmia:** Subscription revenue is 683 crores, lease rental 12 crores, teleport 5 crores, bandwidth 23 crores, advertisement 10 crores, other operating income 2.7 crores.
- Vikash Mantri:** Sir what is the license fee for the quarter?
- Rajeev Dalmia:** License fee will be 736 minus the revenue of Dish Infra into 10%.
- Vikash Mantri:** It is around 55 crores odd?
- Rajeev Dalmia:** Yes.
- Vikash Mantri:** Coming onto the ARPU front, last quarter we had categorically said that since there was no separate packaging of World Cup this time, it had not led to any

positive increase in our ARPU levels so therefore clearly when we have a day more in this quarter and if I were to look at the December quarter we were at 177 and then moved to 179 which the like to like number was 183 given March quarter was 2 days less. So this quarter we were clearly expecting a number upward from 183 given there is a one day more. So a bit disappointed with that, can you explain how will it change going forward?

RC Venkateish: The 183 is on that base of the last quarter but the base is also increased by 390,000 subs.

Vikash Mantri: It's hardly 2%, it won't matter, base increase of 2%.

RC Venkateish: No 390,000 when you add it does have an impact of almost Rs 4.

Moderator: Thank you very much. Our next question is from Rajeev Sharma of HSBC. Please go ahead.

Rajeev Sharma: Just couple of questions from my side. So your content cost you seem to be very efficiently managing that and you don't have any major negotiations coming up till next year and then for the near-term negotiations you have this JV with the Siti Cable. But Videocon and other peer group players are on a much higher content cost. So these long-term deals which you have does it means that there is a relief today and there will be big spike tomorrow because I'm just thinking from a broadcaster perspective others would also like to come at your levels given in the same industry and not much variation in the net base. So how do you see the content cost going forward, do you think that this is the peak of your savings or you can even go down to 25% of revenues so on the content cost? And second what was the reason for the low SG&A cost apart from the decline in the subscriber additions?

RC Venkateish: Well on content cost as I said we have visibility till 3rd Quarter of next year. Now within that timeframe we can give guidance. It will be certainly of endeavor to make sure that any inflation in content cost is not more as we always have a rule of thumb and not more than 50% to 60% of our top line growth. But that is one year down the road; we will see how do those negotiations shape up and one year down the road we will be significantly better placed to negotiate with the

broadcaster than we were three years ago by virtue of the size of our subscriber base. What was your second question?

Rajeev Sharma: Selling and distribution cost.

RC Venkateish: On selling and distribution as we have mentioned Q4 had World Cup. We had certain expenses, both on marketing and HDL as well as below the line which was higher than the normal. This quarter if you compare it with Q1 last year it's more or less on a similar track. Q2 and Q3, Q3 especially tends to be a higher quarter in terms of S&D because of the festive season so it will follow that pattern.

Rajeev Sharma: And if I can just chip in two small questions, one is what would have been your normalize revenue if you had not done this change in accounting of this collection fee adjustment?

RC Venkateish: I answered that earlier, 769 crores.

Rajeev Sharma: And last question is on your HD which is I understand was somewhere close to 6.5% of your base, your some of the peers are at 10%, Tata Sky and my guess would be even higher. You have been the market leader in terms of the market share so what is a specific target you have for HD like FY16 end when will your base be 10%, what is the traction you are seeing on HD?

RC Venkateish: As far as incremental share of additions are concerned our immediate target is to get it up to 25%. But I believe over a medium-term it can improve further but right now we are at around 20%, our aim is to get it up by 25% in the next couple of quarters.

Rajeev Sharma: And this is largely coming from Phase-1, Phase-2 markets?

RC Venkateish: No in fact for us it's more evenly spread. We are having a fairly robust contribution because of our distribution network even in if the smaller urban areas, smaller agglomerations across the country.

Rajeev Sharma: What's your net debt for this quarter?

Rajeev Dalmia: It is 965 crores.

Moderator: Thank you. Our next question is from Bhautik Chauhan of Span Capital. Please go ahead.

Bhautik Chauhan: Can you provide some color on performance of Zing brand in the respective market and its contribution to total revenue and EBITDA?

RC Venkateish: I can give you contribution to total subscriber additions; it is currently running at around 22%. It is the market leader in two geographies; number 2 in one geography and number 3 in other four geographies.

Bhautik Chauhan: My next question pertains to boxes so how many boxes will be seeding in Phase-3&4 markets and how much CAPEX will it incur and what would be the exit acceptance level for digitalization in Phase-3&4 markets?

RC Venkateish: What do you mean by acceptance level?

Bhautik Chauhan: I mean how much do you expect to cater the market in Phase-3&4?

RC Venkateish: See the first thing about Phase-3&4, it is as I said a function of the implementation and execution of this digitization. We expect it to be a gradual process because it is not humanly possible to switch off 70 million homes overnight. So we expect this to be a gradual process which will feed the demand on a month on month, on a quarter-on-quarter basis. So if we are projecting 1.5 million net adds it could go up by 0.5 million or 750,000 for which we are well and comfortably placed in terms of providing the additional boxes required. In terms of capital on boxes the CPE costs around \$35 so you can calculate.

Bhautik Chauhan: Sir my last question pertains to inventory of boxes so how much do we own?

Rajeev Dalmia: Around 800,000.

Moderator: Thank you. Our next question is from Saurabh Kumar of JP Morgan. Please go ahead.

Saurabh Kumar: My question again is on Zing so it is about 20% of your net adds and the ARPU here will be I am guessing about 25% lower than your average. So for you to

maintain 6% to 7% ARPU the remaining non Zing has to be something like 13% to 15%, is that understanding correct?

RC Venkateish: Basically the way it works is the HD compensates for Zing so HD plus Zing put together tallies that out and the standard definition grows at that way and that's how we get it.

Saurabh Kumar: So our HD will be how much of your incremental net add?

RC Venkateish: HD is at around 20% as I told you in last quarter and Zing is 22%.

Saurabh Kumar: And the second question is on CAPEX so we are free cash positive this quarter 69 crores. Can we assume that if your net add remains at this level you will still continue to be FCF positive or will we probably build up the inventory at some point?

RC Venkateish: We are FCF positive for fairly long time now and we are dropping even this higher level of subscriber addition.

Rajeev Dalmia: We had 179 crores as CAPEX during this quarter also.

Saurabh Kumar: So your full-year numbers should be around 700 crores?

Rajeev Dalmia: Yes more or less, unless there is too much of speed of digitalization that may add another 50-60 crores.

RC Venkateish: Even then we have 250 crores of cash.

Rajeev Dalmia: So it will cover.

RC Venkateish: Basically fairly self-funded operation now.

Saurabh Kumar: So even at this 0.4 million net add number you probably don't need capital.

RC Venkateish: Basically fairly self-funded operation now.

Moderator: Thank you. Our next question is from Bijal of IIFL. Please go ahead.

- Bijal Shah:** Sir my first question is on bandwidth revenue. Now this quarter it is 23 crores and in previous quarter it was much higher so what leads to this quarter-on-quarter volatility? Shouldn't we assume that it will be almost equally spread throughout the year?
- RC Venkateish:** See unlike cable bandwidth charges most of our deals are with these smaller channels and they have deals during the time that they launch their channels for three months, six months, one year rarely is it more than one year. So we had some pipeline of channels which had expired which we couldn't replace but we have fairly good funnel now and that's the thing we had indicated in the last call, we are not looking for any increase in total bandwidth revenue over previous year. We said we will do about 120 crores. So that's about the level for the full-year we can expect. So it might be initially we were little light going in to this fiscal but we have been able to add-up quite a few deals and then that will compensate.
- Rajeev Dalmia:** It will reflect in this quarter and maybe the next quarter.
- Bijal Shah:** Second is employee cost ex of this retirement benefit revaluation.
- RC Venkateish:** Whatever is got paid which got accounted for this quarter.
- Rajeev Dalmia:** So it will be around 33.5 crores.
- Bijal Shah:** Without that?
- Rajeev Dalmia:** Yes.
- Bijal Shah:** And one last question is because of this change in accounting policy you are seeing some reduction in revenues. Now you gave revenue breakdown for this quarter however for earlier quarter can we assume that the drop in revenue is all attributable to subscription revenue?
- Rajeev Dalmia:** Yes if you ask I can give the last quarter also.
- Bijal Shah:** But then you will have to give us every quarter, for the previous quarters and so it would be great if you can give us. But if it is very simple thing that we have to just calculate

- Rajeev Dalmia:** Because the same formula is applied in the last quarter also.
- Bijal Shah:** So we should remove it from subscription revenue, right?
- Rajeev Dalmia:** Yes.
- Moderator:** Thank you. Our next question is from Jai Doshi of Kotak Securities. Please go ahead.
- Jai Doshi:** What is your sense of opportunity in Phase-3, we've heard different numbers from different players in the industry so if you could give us some idea thoughts on numbers?
- RC Venkateish:** If it is properly implemented you can see an uptick of about 20%-25% in the run rate of the all the DTH operators and over a period of time when the Phase-3 gets fully digitized the total DTH industry over a period of 3 to 4 years can add another 20 million over and above their current run rate, about a million.
- Jai Doshi:** For the 20 million over and above current run rate assuming entire India.
- RC Venkateish:** Over a period of four years which will happen over 3 or 4 years, not going to happen overnight.
- Jai Doshi:** Am I missing something this current run rate would be I think 6 million and if you are saying 20%-25% increase in general on the ongoing basis, it probably maybe 3 million additional so the 3 million additional per year.
- Rajeev Dalmia:** See current run rate is 9 to 10 and it is net.
- Jai Doshi:** And sir cable players have asked TRAI for a lower content rate for Phase-3 and Phase-4 markets so how do you view this, how does it affect DTH industry, how do you think it will affect your future content negotiations?
- RC Venkateish:** Well if the broadcasters are asked to give beneficial rates to cable then by all rights we will also demand the same, so it will be very good for us.

- Jai Doshi:** Your existing contracts are on track so is there a clause or an option to sort of renegotiate or it will only get adjusted in the next round of negotiation, renewals?
- RC Venkateish:** Well if a broadcaster comes out with a special reference inter connect offer for the Phase-3 and Phase-4 markets we are well within our rights to exercise that because as per the regulations every time the broadcaster comes out with the new RIO he has to offer to all the platforms.
- Jai Doshi:** And just one book keeping question so on the cost front I assume this accounting changes essentially no retail or distributor commissions are there in cost.
- RC Venkateish:** With our sales we used to have 4% and we were unnecessarily paying license fees on 4% as well so we end up saving about 12-15 crores a year.
- Moderator:** Thank you. Our next question is from Dipesh Mehta of SBI CAPS Securities. Please go ahead.
- Dipesh Mehta:** First couple of data points, can you share subscriber acquisition cost for the quarter? Second is about what will be the subscription revenue adjusted for the accounting changes what we did quarter-on-quarter perspective?
- RC Venkateish:** SAC is around 1750. I just mentioned prior to the adjustment the revenue for the quarter was 769 crores.
- Dipesh Mehta:** I was referring to subscription revenue which we reported around 683 crores, what was that number for last quarter that is in Q4?
- RC Venkateish:** 657 crores.
- Dipesh Mehta:** And last question is about advertising revenue. One of your peers emphasized recently about the advertising growth momentum and their focus about growing that segment of revenue. Can you provide your comment about how you look at that segment of revenue?
- RC Venkateish:** It's a small and interesting source of revenue for us. We have also been growing it quite aggressively and the growth is there because of very small base. At the end of the day we have limited assets or real estate if you say to actually monetize

from advertising perspective because we are precluded from doing a lot of things that the broadcasters do. So effectively we can only sell our home page and sell a few assets around our EPG and things like that. So to that extent this is not going to become a major revenue stream and we cannot for example launch proprietary channel, this is not allowed under our license conditions. Even though I have read about some people trying to plan that but the fact of the matter is it is very clear in the licensing conditions of DTH companies that these activities cannot be undertaken by us.

Dipesh Mehta: Is it possible for you to share subscriber addition across phases let's say Phase-1&2 would be how much of our net add this quarter?

RC Venkateish: We don't break that out.

Moderator: Thank you. Our next question is from V Subbraman of HDFC Securities. Please go ahead.

V Subbraman: Couple of questions, one is a competitor of yours is now launching a HITs platform. Wanted to know your thoughts on whether that can become a threat for you? Secondly any updates on the sharing of the license fee case?

RC Venkateish: On the HITs platform we have to see what the execution is. As far as we know the content down to the HITs platform are largely on RIO so that itself is going to be fairly large bottleneck in terms of accessing content. Beyond that it's not that simple because they have to tie up with the local cable operators to do that. So let us see how it goes, we don't know, don't want to prejudge them. What was your second question?

V Subbraman: On the license fee case any updates on that?

RC Venkateish: It is still in court, nothing has been decided.

Moderator: Thank you. Our next question is from S Sheshadri of Antique. Please go ahead.

S Sheshadri: My first question is regarding Mr. Venkateish's earlier comments on not taking the Zing platform to a broader level. So earlier we started with a strategy of targeting

markets where there was a very high affinity to consume additional content. Has the strategy now evolved further to offer Zing as basically throughout Phase-3, Phase-4 markets or still selective about the regional markets we are addressing just wanted some thoughts and logic if the strategy has changed.

RC Venkateish: If you see the prime analog markets which are coming up in Phase-3 & 4 where the major population of analog signals are there, these are markets like AP, like TN between AP and TN itself will account for almost about 30% of the of the total analog-based in 3&4. And if you take all the language speaking markets where we are targeting with Zing which is the four southern states eventually, right now we are at two plus Orissa and West Bengal as well as couple of other linguistic states where we might expand. We will have coverage of almost 70% of the universe of Phase-3&4 markets. So we do not plan to launch Zing in the Hindi speaking markets because we don't believe that is a creative strategy because the content cost will not be lower there. And therefore it will not benefit us from a margin perspective.

S Sheshadri: The second question is the service tax increase which is kind of partly kicked in during the quarter; I see that the base pack is still priced at around 240 on the site. Just wondering if there are going to any pricing actions you're going to take as of now to take it or as of now is it going to be absorbed in the cost structure?

RC Venkateish: No we are taking up prices because the idea is to take two price increases every year, one in the early part of the year, one before the festive season. So we will be taking a price increase very soon.

S Sheshadri: But would it result in a little bit of a temporary ARPU kind of a headwind for the 2nd Quarter given the fact that we are not doing it probably for most part of this current quarter?

RC Venkateish: It will be only accretive even if it is for a month. It will add to the ARPU.

S Sheshadri: I thought it will be applicable from June this time so we have seen one month of kind of higher service tax.

RC Venkateish: Service tax is only 1.4%, price increase what we will take is about 4% to 6%.

- S Sheshadri:** And just a couple of bookkeeping questions for Mr. Dalmia. One is you have spoken of 12 crores lease rentals for the quarter, earlier you had guided for about 54 crores on a full year basis so does that brought calculation still hold?
- Rajeev Dalmia:** Yes.
- S Sheshadri:** And secondly is it possible to share the cost line items especially advertising revenue how much you spent and commissions how much were incurred in the current quarter and on the commissions which part of the commission has got adjusted against the top line, is it the recharge commission?
- Rajeev Dalmia:** See the recharge commission has been adjusted.
- Rajeev Dalmia:** And advertisement and selling & distribution cost is now clubbed so started showing both together.
- S Sheshadri:** So there is no separate number that you can share?
- Rajeev Dalmia:** Yes separate number cannot be given.
- S Sheshadri:** And commission I couldn't hear it clearly, which part has been adjusted against the top line?
- Rajeev Dalmia:** See 4% of the collection amount which used to be 100 crores that will be routed through the top line to that extent top-line will be reduced and we will pay less license fee on that amount that means we are saving up around 11-12 crores this year.
- Moderator:** Thank you. Our next question is from Kunal Vohra of BNP Paribas. Please go ahead.
- Kunal Vohra:** Earlier you were looking to eliminate the subsidy element completely over a period of 2-3 years, do you still looking to cut down the subsidies at manageable levels or that seems unlikely? Second is, are you looking to add any more transponder capacity and how you are seeing the availability right now and also how the cost of transponders changing over the years and finally what will be the box write-off

expenses for the quarter and how should we will be looking at that number for the year?

RC Venkateish: As far as the subsidy is concerned it's not just a Dish TV dynamic, it's an industry dynamic in terms of where we want to price it. At one point we had taken it up and I think overall industry also had done but with the advent of Phase-3&4 there is still going to be the need to acquire large number of subscribers. So I don't see that price point of acquisition moving up significantly in the near future. So that subsidy will stay but having said that we have been able to actually reduce the hardware cost quite significantly in dollar terms. Unfortunately with the rupee also depreciating that is not reflecting as much, for example standard definition box cost which used to be around \$21 is actually down to around \$16. But it's not fully reflecting because of the rupee depreciation.

On transponder I think we have adequate capacity right now. It's not about looking to increase I mean you don't have satellites available at the same slot. That you can just go and buy, so these are all items which are planned on a long-term basis and then executed.

Kunal Vohra: And are the cost of transponder leasing stable or do they increase?

RC Venkateish: In dollar terms of course there is possibly fluctuation.

Rajeev Dalmia: It will be around 150 to 155 crores for the whole year.

Kunal Vohra: And my last question was on the box side of expenses for the quarter and for the full-year.

Rajeev Dalmia: For the quarter it was 159 crores the total depreciation and for the whole year it will be around 650 crores.

Kunal Vohra: No I'm not asking about the depreciation but the box write-off.

Rajeev Dalmia: It is part of the depreciation only, accelerated depreciation. There is no write-off.

Kunal Vohra: You earlier used to have it in other expenses.

- Rajeev Dalmia:** That is CWIP write-off that is very less now more or less it is within 10 crores for the year because the mechanism to track the boxes at the dealer and distributor level is really very tight so we write-off less number of boxes now than we used to before one year or two year.
- Moderator:** Thank you. Our next question is from Rohit Dokania of IDFC. Please go ahead.
- Rohit Dokania:** Just one question from my side, wanted to understand how is the Dish Infra helping us in terms of saving cost because I'm confused here I think as Mr. Venkateish mentioned its about 40 bps improvement in terms of margin but I think the license fees is also lower so could you please explain that?
- RC Venkateish:** No 40 bps is only to do with that top-line. Dish Infra I think we should take it off-line.
- Rajeev Dalmia:** Yes because it is highly competitive information.
- Moderator:** Thank you. Our next question is from Naval Sheth of Emkay Global. Please go ahead.
- Naval Sheth:** Actually I had the similar question on license fee and savings on that so I will take it off-line.
- Moderator:** Thank you. Our next question is from Aditya Soman of Goldman Sachs. Please go ahead.
- Aditya Soman:** Firstly on split-up in terms of segments into DTH and Infra so you have the 1160 crores of assets in DTH is it mostly cash and advances?
- Rajeev Dalmia:** No it is only the boxes.
- Aditya Soman:** That will come in the Infra Services segment right?
- Rajeev Dalmia:** Yes so are you talking of Dish TV?
- Aditya Soman:** Yes.

- Rajeev Dalmia:** Yes this is mostly deposit, cash, receivable, and advances.
- Aditya Soman:** In terms of ARPU going forward so when we are looking at it so one will be for Dish TV and one is on the Infra side so on a recurring basis on the Dish TV portion will there be any differentiation on ARPU recognition or that should continue as it is?
- Rajeev Dalmia:** We will be declaring only the combine number because otherwise there will be too much of volatility on a quarter-on-quarter basis and it will follow a trend like we have compared this time 180 or 179 as against 179 of last quarter so similar trending will be done in the future quarters also.
- Aditya Soman:** But on a renewal basis the ARPU should only be on the DTH because not on the Infra support would that be right or not?
- RC Venkateish:** No we don't break it up because historically we've always been giving you the consolidated number, it is an MIS metric at the end of the day.
- Moderator:** Thank you. Our next question is from Sumeet Rohra of Silver Stallion. Please go ahead.
- Sumeet Rohra:** Just coming on the point which you made about the potential in Phase-3, Phase-4,, now honestly in my eyes you are on a J-curve, growth curve and I will just ask you whether my view is correct or wrong because if you say that 70-80 million is the potential which Phase-3, Phase-4 has and assuming 50% accounts to DTH and 50% is cable which is about 30-35 million and we are about 20% of market so effectively though our incremental is 27%. I assume our market share about 20%-22%-23% somewhere around there or even 25%. So that means we actually have the potential to add close to 70 to 80 million subscribers over the next two years assuming that the deadline gets postponed by one year this on the higher side. So is my thought process correct on that front? Secondly, is there any update on the international operations which we are looking to do and thirdly I wanted to understand is that we had taken a price hike in the month of February or March I'm not very sure. But as most of the flow through coming in this quarter or can we expect some flow through to come into this quarter as well?

RC Venkateish: See as far as the 70-80 million you're talking about, firstly it's in two phases. The first phase is Phase-3 which is the smaller phase which is around 30 million and Phase-4 has about 50 million and a very-very substantial amount the people who consume free TV in both these phases which is the free-to-air, free-dish or DD as well as Terrestrial, etc., so you have to net all of that out. Secondly as I said the implementation and execution of those all processes is a key. We have seen how long it's taken in Phase-2 so I don't think any reasonable expectation that it will be very different than Phase-3 or 4 which is actually more difficult to implement compared to Phase-1&2. So as I said earlier it will be a gradual process, first 3 contiguous of Phase-2 we will get digitized then slowly it will start moving in. So we will see, I've already given some indications of what we believe is the upside. I think we will proceed with the little bit of caution.

Moderator: Thank you. Ladies and gentlemen we will take a last question from Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri: Two questions actually, you said you can pass on the entertainment tax in Delhi now I see that in your Zing model you clearly pass it on the entertainment tax and service tax depending on that state. So it is very easy to do this if you want to move to on a base pack plus taxes kind of a model where even service tax and entertainment tax as in how they happen and can be passed on a Dish brand so is that what we are thinking?

RC Venkateish: Eventually when GST comes everything will be plus GST so that's really the goal and we want to eventually hopefully whenever GST is implemented everything in the country will be this plus GST.

Vikash Mantri: So until GST comes there is no possible way to pass on the Delhi increase or you will increase it all across if required?

RC Venkateish: Delhi we've already shown that we can execute differential pricing so they will have different price for Delhi that's it.

Vikash Mantri: Yes which is in a way similar to the structure of tax plus taxes and second is if I were to look at your Dish Infra numbers and your DTH numbers, is it now fair to

say that your DTH numbers are just pure ARPU and you passed on your advertisement, bandwidth, teleported, to the Infra portion of things?

Rajeev Dalmia: No we have not done advertisement and carriage because those are integral part of Dish TV. There is a thought that how much we can pass on to the Dish Infra, maybe we will come back after getting positive vibes from the consultant and yes subscription revenue is substantially part of Dish TV and the activation revenue and other onetime customer related revenue is going through the Dish Infra.

Moderator: Thank you.

This transcript has been suitably edited for ease of reading.

