



## DISH TV INDIA LIMITED

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4Q FY12 & FY12 EARNINGS TELECONFERENCE  
MAY 16, 2012, 4.00 P.M. INDIA TIME

**Moderator:** Ladies and gentlemen good day and welcome to the Q4 FY12 Results conference call of Dish TV India Ltd. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded.

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

**Tarun Nanda:** Good afternoon ladies and gentlemen and thank you for joining us today to discuss the results of Dish TV India Limited for the quarter & year ended March 31st, 2012.

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

We will start with a brief statement from Mr. Goel and will then open the discussion for questions and answers. I would like to

remind everybody that anything that we say during this call that refers to our outlook for the future is a forward-looking statement that must be taken in the context of the risks that we face.

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

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

**Jawahar Goel:** Good afternoon ladies and gentlemen and thank you for joining us today.

Dish TV maintained its market leadership by adding 2.5 million gross subscribers in fiscal 2012, achieving a total of 12.9 million gross and 9.6 million net subscribers at the end of the period. The gross additions for the quarter ended March 31, 2012 stood at 415 thousand.

Though the potential digital customer is still in a state of inertia, expecting last minute deferments in the DAS mandate, demand for digital boxes is expected to pick up speed closer to the sunset date. In this regard, TRAI's recent Tariff Order and Interconnect Regulation is an indication of the regulator's intent to go full throttle on the proposed digitization.

While managing a trade-off between quality and quantity of new subscribers in the fiscal gone by, the DTH category witnessed a slowdown after a price hike at the entry level. The category added

10.5 million subscribers in fiscal 2012 compared to 13.3 million in the year before that.

However, in line with expectation, Dish TV witnessed a marked improvement in its key metrics after the price hike was initiated. With quality subscribers coming on board thereafter, Dish TV's monthly churn number in the fourth quarter aligned with its internal benchmark.

Coming over to the financial performance, full year fiscal 2012 standalone revenues stood at Rs 19,578 million, with an EBITDA of Rs. 4,984 million. Consistent operating efficiencies led to a 9% hike in the average EBITDA margin for the year as compared to the year before that. Net loss for the year reduced to Rs 1,588 million compared to Rs 1,897 million in fiscal 2011.

Q4 FY 12 subscription revenues stood at Rs. 4,338 million, recording a growth of 19.2% as compared to the corresponding period last fiscal. EBITDA at Rs. 1,442 million recorded a massive growth of 59.9% thus achieving an EBITDA margin of 27.5%. Net loss of Rs. 490 million was negatively impacted by foreign exchange loss of Rs. 65 million.

Further, to clear ambiguity around the revenue recognition of lease rentals, we have revised our accounting policy. Lease rental revenues would henceforth be recognized over a five year period and would be in line with depreciation of fixed assets.

I am happy to share that while taking the next big leap towards operational excellence, Dish TV became free cash flow positive in the quarter ended March 2012.

Dish TV is all set for the Phase I opportunity and beyond and endeavours to retain its market share in an expanding digital universe. We believe that with its top of the mind recall and efficient ground infrastructure, the company is likely to be one of the preferred choices of the potential digital consumer.

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

**Moderator:** Thank you very much sir. 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 on the set-top box rate with rupee depreciating and weak subscriber additions. What is the strategy going forward in FY13 and a linked question to this is that the churn rate has improved quarter-on-quarter because of the higher set-top box prices, so with the change in set-top box prices in FY13, how do we see the churn rate?

**R. C. Venkatesh:** As far as the prognosis for FY13 is concerned a large component of that is going to be determined by the roll out of digitization. So while the numbers were compressed in the last quarter that was to be expected. I think we explained in the last call that prices were taken up very substantially during the end of Q3 and that would have a temporary effect in terms of the subscriber additions. Now

we are already seeing that the monthly number rate of the last quarter has already been substantially surpassed and if digitization plays out as planned that will open up an additional market of about 3-3.5 million for all DTH players assuming a 50-50 ratio between DTH and cable. So when you lay out that on to a normal uptake of about 10 million of DTH, overall the market for DTH for next year would be quite robust and since we are operating in a market where we believe that total supply of boxes is still going to be shy of the overall demand as far as the cable is concerned having a slightly higher entry point, I don't think is going to be a deterrent. We do not plan to bring our prices down because we do believe that there is going to be a vacuum in the market as far as the total availability of boxes is concerned. Barring I think one or may be two MSO's most of them are not really fully prepared.

**Abneesh Roy:**

And any comment on the churn rate which has reduced this quarter? Is that the sustainable churn rate you are looking at or further downside is possible?

**R. C. Venkateish:**

No in fact the churn rate has improved; in fact it continues to improve. I think the churn for this quarter will be around 1% further improvement over where we are to bring it in line with where we expect that to reach.

**Abneesh Roy:**

My second question is how has your HD and recorder, these innovations done in Q4?

**R. C. Venkateish:**

The HD recorder did extremely well because it's priced at a price point similar to the standard box. The uptake has been excellent; in fact our average monthly uptake which used to be in the region of about 7,000 has gone up to about 10-11,000. So almost a 40%

jump and with digitization, we expect that number to move even faster.

**Abneesh Roy:** And recorder? That is part of the HD box.

**R. C. Venkateish:** The standard has been discontinued. We are only selling the recorders.

**Abneesh Roy:** My last question is on digitization. Are you expecting delay with some of the court cases being filed and in DAS areas, how has been our aggression, are we waiting for last days of the deadline or are we already seeing lot of aggression from our side and good pickup?

**R. C. Venkateish:** No, we have certainly ramped up our infrastructure in the four cities both in terms of sales distribution and service. As far as delays are concerned, that is a million dollar question you know. At the end of the debate, we hope things stick to schedule, but at this point of time you cannot make a call on that till it happens.

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

**Sachin Salgaonkar:** My first question is your EBITDA margin obviously improved on a QoQ basis that was mainly driven by programming content cost decline. So I was wondering what is leading to this and is the improvement sustainable going forward?

**R. C. Venkateish:** Yes, it is sustainable as far as content cost is concerned. We renegotiated or rather reformulated our agreement with two major broadcasters. Both of them are sports broadcasters and subsequent to the new arrangements the content cost that we will have to face

is going to be substantially lower than the prior years. So the improvement is sustainable, but having said that we have to finalize new arrangements with Media Pro which is currently under negotiation. So overall guidance for about 12-13% overall growth in content cost remains.

**Sachin Salgaonkar:** Got it. My second question is on the change in accounting policy. I am presuming the reason for D&A increase is mainly driven by the accounting change, is that correct?

**Rajeev Dalmia:** There was an exceptional item in this quarter, it was depreciation charged on some STBs on an accelerated basis.

**Sachin Salgaonkar:** And your overall revenue grew 7% versus subscription revenue of 2% QoQ. So what is leading the other growth?

**Rajeev Dalmia:** Advertisement income was up by Rs. 7 crores and overall rental income was also high because in the last quarter it was unduly low, it was around Rs. 45 crores whereas the average for the previous two quarters was Rs. 65 crores.

**Sachin Salgaonkar:** Got it and any guidance you could provide in terms of subscribers or ARPU or EBITDA margins next year?

**R. C. Venkateish:** I think that question is better answered after we get clarity on whether digitization actually rolls out. As far as the ARPU is concerned, if digitization plays out, obviously there is going to be a fair amount of pressure from cable keeping the prices low, so we are not looking at a very aggressive ARPU growth in the short term.

**Jawahar Goel:** IBF has taken a call that they will switch off all services in analog mode in the four metros. So it seems that the broadcaster community is also determined to go for digitalization in the four metros.

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

**Nitin Mohta:** Congrats on hitting the free cash flow mark. Just wanted to understand what kind of inventory are you carrying for the set-top boxes because as you mentioned consumers are little late to react to digitalization. So what is the kind of set-top box inventory that we are carrying in the system?

**Rajeev Dalmia:** Total inventory in the system is around 1.2 million boxes.

**Nitin Mohta:** Fine, that is helpful and the second question was on the ARPU front. Some of your cable peers on their conference call talked about ARPU of at least Rs. 175. So I was just trying to understand where is the disconnect?

**R. C. Venkateish:** I am not sure about the cable call but probably they were referring to the consumer price and not the ARPU. Because at this point of time none of them are operating on a structured model where they have to pay all the taxes and declare the net ARPU. So the ARPU they talk about is normally the consumer ARPU. So if you derive the ARPU on a pari passu basis with the way we calculate, that will be probably much lower.

**Jawahar Goel:** I have some knowledge about the peer side - say in Delhi, LCO is demanding ARPU of Rs. 90 per subscriber and in city of Mumbai,



the LCO is demanding Rs.175. After adjusting for LCO margin, tax components, content cost, the MSO would require minimum Rs. 80 to 90 for recovering the set-top box cost, marketing cost and the other infrastructure cost. So this means that in digital mode, cable industry has to work on a subscription base of more than Rs. 250 to Rs. 350 in a city like Mumbai. So DTH will have headroom to pass the tax component to the subscriber. Let us see how they design their business model.

**Nitin Mohta:** One final question on the financing side. Obviously the debt on book is still higher as compared to what was last year. If digitization does come through, do you think we are in a comfortable position to take further debt or do you think equity dilution is going to be inevitable?

**Rajeev Dalmia:** In fact debt has gone down by 100 crores. Today our debt is Rs. 1090 crores.

**Nitin Mohta:** Are you in a position to fund?

**Rajeev Dalmia:** You see as far as the funding is concerned, we already have around Rs. 360 crores in our balance sheet. So we will use that first.

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

**Amit Kumar:** If you could give the breakup of revenues into subscription, rental, band width and advertising for this quarter?

**Rajeev Dalmia:** It was Rs. 434 cr. subscription revenue, Rs. 66 cr. lease rental, band width of Rs.14 cr. and advertisement of Rs. 7 cr.

**Amit Kumar:** On this rental income part, I am not sure whether I understand the volatility here. It has gone up by almost 21 crores on a quarter-on-quarter basis. I would presume that a lot of this rental income would be subscribers that you have added over the last 2-3 years and what you are booking on a monthly or a quarterly basis. So why is there such a high volatility here?

**Rajeev Dalmia:** Last quarter was an exception as I said just mentioned, it was around Rs. 45 crores, but if you see before that, there were 2 quarters with Rs. 56 crores average may be because of the higher HD rental charges which is 2.5 times the normal standard definition.

**Amit Kumar:** And why was the last quarter exceptional in that sense?

**Rajeev Dalmia:** It was interplay of depreciation and lease rental to write-off certain set-top boxes.

**Amit Kumar:** Okay fair enough. My second question was could you please give me the gross additions and net additions for this particular quarter?

**Rajeev Dalmia:** Gross was 415 thousand and net was around 140 or 150 thousand.

**Amit Kumar:** On the net side if I look at 150-160 add then actually you reach about 9.7 million net subscriber base because last quarter you were at 9.5.

**R. C. Venkatesh:** We rounded off to the first decimal place. If you want the exact numbers, we can take that call offline separately.

**Amit Kumar:** Okay sure, not a problem. I will come back.

**Moderator:** Thank you. The next question is from the line of Shobhit Khare from Motilal Oswal. Please go ahead

**Shobhit Khare:** Wanted to check what is the indication for increase in the content cost in FY13, what was your CAPEX for FY12 and what are you budgeting for ad spends next year?

**R. C. Venkateish:** For content costs, I have already mentioned we are looking at around 12-13% increase year-on-year, FY13 versus FY12. As far as CAPEX is concerned, it is directly linked to the amount of set-top box that we actually deploy in the market during the financial year and that is going to be a function of whether digitization happens in time or not. So that number as I said is still little bit variable at this particular point of time. As far as marketing spend is concerned, our total marketing spends for FY12 is in the region of about Rs. 80 crores. For FY13, it is likely to be little higher because digitization plays out. We will be investing a little more money there. So it will be in the region of Rs. 100 crores.

**Shobhit Khare:** If I could ask one final question. In terms of phase I and phase II, what could be the ARPU differential between these regions, just any color on that will be helpful.

**R. C. Venkateish:** In phase I and phase II, you are talking about 4 metros and 38 cities. Profile is not very dramatically different. When you go to phase III and IV where you go into the rural area and semi urban, that is where the impact will be felt but between Chennai and Bangalore or Hyderabad and Mumbai, I do not think the ARPU has been very dramatic.

**Moderator:** Thank you. The next question is from the line of Srinivas Sheshadri from RBS. Please go ahead.

**Srinivas Sheshadri:** The first question is if you could share the amount pertaining to the loss on sale of fixed assets which is the accelerated write-off of set-top boxes for the current quarter?

**Rajeev Dalmia:** Around Rs. 5 crores.

**Srinivas Sheshadri:** And can you possibly give some guidance on that? So would you have some visibility into how much that has come?

**Rajeev Dalmia:** It is an operation of various factors. It is difficult, but in terms of policy we will continue to have the policy of 500 days past due and still not paying.

**Srinivas Sheshadri:** Okay right. The second question is basically on the footnotes to the results. You have mentioned that you opened a subsidiary in Singapore as well as Sri Lanka you entered into a joint venture with a local operator. So if you could give some color on what are the plans behind these initiatives?

**R. C. Venkatesh:** Still very early, it is only a memorandum of understanding. So as we go along, we will develop plans.

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

**Siddharth Goenka:** If you can let me know what has been the ARPU for this quarter?

**Rajeev Dalmia:** Rs. 151.

**Jawahar Goel:** Because there is an impact of additional service tax, otherwise it was 152 or so.

**Siddharth Goenka:** Then how you are getting the year end ARPU at around Rs. 153 for FY12?

**Rajeev Dalmia:** Because of the formula, opening sub plus closing sub divided by two, here the opening subscriber base is as on 31<sup>st</sup> March 2011.

**Siddharth Goenka:** So that is the formula differential. Okay got it.

**Rajeev Dalmia:** But it is consistent and followed by everybody.

**Siddharth Goenka:** That is fine and also if you can give us the breakup of foreign and domestic debt and what is the rate of interest?

**Rajeev Dalmia:** Foreign debt is \$180 million and domestic is around Rs. 200-210 cr.

**Rajeev Dalmia:** In terms of rate of interest, foreign is L+2 and Indian is around 12%.

**Siddharth Goenka:** So the average will be in the range of around 7-8% probably?

**Rajeev Dalmia:** Yes.

**Siddharth Goenka:** And if you can just explain once again the increase, the quarter-on-quarter rise in depreciation, I missed that part?

**Rajeev Dalmia:** There was an exceptional item in this quarter. It was depreciation charged on some set-top boxes on an accelerated basis.

**Moderator:** Thank you. The next question is from the line of Dinesh Harchandani from JP Morgan. Please go ahead.

**Princy Singh:** This is Princy Singh from JP Morgan. My question is on the ARPUs and the mix of subscribers. So can you just throw some light on what is the current mix in terms of subscribers at the base pack and the subscribers at the gold and the platinum packs and how that has moved over the year and over the quarter and also on the outlook on how this mix is going to change going forward?

**Rajeev Dalmia:** The mix is around 55% in the lower pack, 30% gold and balance in platinum.

**Moderator:** Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

**Bijal Shah:** My first question is on ARPU. You mentioned that ARPU would remain low as digitization is happening and probably that is the reason probably you need to keep ARPU lower in FY13, but on the contrary ARPU should actually go up on account of digitization because now cable would also have to pay taxes which we are paying and there will be lower under declaration of subscriber. So just trying to understand why you are saying this ARPU should remain low because of digitization?

**R. C. Venkateish:** Absolutely right. What I meant was in the short-term, initially when people are out grabbing subscribers; cable is not likely to increase subscription. But in 6-8 months, once the subscriber acquisition part is complete, you are right they will certainly have to increase the price. So its the short-term impact of next 6-8 months. Post that, you will see rapid price increases and we are

well positioned to benefit from that. We do see a flattening out in the short-term, but a fairly substantial spike going up later for all the reasons that you mentioned.

**Bijal Shah:** And another thing is do we have some specific schemes for cities which are going in phase I or phase II, otherwise our ARPUs would remain same or if we try to compete probably overall ARPU should come down because we have only national products, we do not have local products.

**R. C. Venkateish:** No, I do not think that is the case. At the end of the day, the competition is going to be in subscriber acquisition. At the acquisition point, there will be plenty of schemes, but that need not affect my ARPU because ARPU is on the base of all the existing subscribers who are there on the platform.

**Bijal Shah:** Okay for Bombay, Delhi, then you might have 3 months free, may be 2 months free...

**R. C. Venkateish:** We might not even go for 3 months, might come off with something specific for these markets.

**Bijal Shah:** But that would be specific only to this market.

**R. C. Venkateish:** That is right.

**Bijal Shah:** My second question is on the financials. If I see your consolidated profit and standalone profit, there is a difference of around Rs. 20 crores in consolidated loss and standalone loss for the full year. Just wanted to understand why consolidated loss is actually lower than standalone. Is there anything which is outside this main standalone entity?

- Rajeev Dalmia:** We had one subsidiary called ISMSL which was there with us up to 31<sup>st</sup> May. So that adjustment was done for the first 2 months and that is the difference between the consolidated and standalone.
- Bijal Shah:** How does it reduce your consolidated profit which I did not understand?
- Rajeev Dalmia:** That is because of gain arising from transfer of assets.
- Moderator:** Thank you. The next question is from the line of Sumeet Rohra from Silver Stallion. Please go ahead.
- Sumeet Rohra:** My question was more towards the ARPU front because if I read correctly TRAI in its regulation has said that MSOs need to charge Rs. 150 to the consumers and this is only for the basic channels plus a few. So effectively if you take more channels then the cable bill will actually get to Rs. 200 whereas for the DTH industry it is about Rs.152 only today.
- R. C. Venkateish:** I think you are confusing ARPUs with consumer price. The TRAI guideline pertains to consumer price and that is not ARPU.
- Jawahar Goel:** This 152 is the blended ARPU on the paying subscriber. Our recharge ARPU is around Rs. 217 and that too net of service tax.
- Sumeet Rohra:** Do you expect roll out on 30<sup>th</sup> June, is it going to be compulsively effective first July. So what is your view on that sir?
- R. C. Venkateish:** Well, as of now we do not have any information to the contrary.
- Moderator:** Thank you. The next question is from the line of Akshay Saxena from Credit Suisse. Please go ahead.



**Jatin:** Hi this is Jatin from Credit Suisse. My question was on whether you can have differential pricing for the 4 cities on your renewal schemes. So basically on the pack that you are either in the base pack, gold or platinum pack. Can you have a different pricing in these schemes and if not then how do you plan to tackle.

**R. C. Venkateish:** We already have differential pricing, for example South packs are quite differently priced from the packs that we operate in the Northern belt. So that is nothing, I can have as many different price schemes as I want.

**Jatin:** Even city level pricing.

**R. C. Venkateish:** Yes, I can have even locality level pricing as I want because these are all tagged to pin codes and specific dealers and customer locations.

**Jawahar Goel:** But it is not advisable actually because the quality might go down so we normally do not practice.

**Moderator:** Thank you. The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.

**Rohit Dokania:** Just 2-3 questions. One is could you explain the increase in the other operating cost which is increased from Rs. 45 crores to 61 crores on a sequential basis. Is it because of forex something?

**Rajeev Dalmia:** Yes.

**Rohit Dokania:** So this would decrease going forward actually. Okay great and if you could give some guidance on the subscriber realization. Let us assume for once that probably digitization does not happen this

year, how many customers we could be adding assuming that digitization does not happen.

**R. C. Venkateish:** I think DTH market will add about 9-10 million without digitization.

**Rohit Dokania:** I have just two more quick questions. What would be the free cash flow that you have generated this quarter if you can disclose that?

**Rajeev Dalmia:** Around Rs. 40 crores.

**Rohit Dokania:** And just finally one larger question which I am not able to understand. So the average life of a box is 5 years. Just wanted to know what happens at the end of the 5 years let us say, if I am a subscriber and if my box needs to be replaced, would I have to pay for the box or would the company only bear the cost?

**Rajeev Dalmia:** Average life is for depreciation purpose only, otherwise it can last for 8-9 years.

**Rohit Dokania:** Okay, it lasts for 8-9 years is it?

**Rajeev Dalmia:** Yes because we have guys who came in 2003-04, still happy.

**Rohit Dokania:** So what happens after 8-9 years if I could just.

**R. C. Venkateish:** If you keep on using it, till it breaks down a bit, you can call our service center and we will arrange swap box for you for a nominal cost. These are recondition boxes which we used for swapping any defective boxes.

**Moderator:** Thank you. The next question is from the line of Deep Master from University Superannuation Scheme. Please go ahead.

**Deep Master:** Just wanted to understand this quarter around 50-60 days for digitization and sort of hit rate we need to have to complete all the customers is like tens of thousands to nearly a lakh a day. So is this realistic like what kind of hit rate we are seeing in the past quarter?

**R. C. Venkateish:** It does not have to happen before digitization. In fact most of the action will happen after the lights go off. So effectively right now also we are pushing, but the customer because of the inertia will only wake up when the signal is switched off and that is what we need to be prepared for. A huge spike in volume in July and we have seen this happen during CAS as well when parts of Delhi, Bombay and Calcutta were switched off and that is really when the entire thing goes crazy. Unfortunately that is consumer behavioral trait and though we are pushing in aggressively, things would not happen till actually the signal goes off.

**Moderator:** Thank you. The next question is from the line of Pratheesh Krishnan from Antique. Please go ahead.

**Pratheesh Krishnan:** I just want to understand the change in accounting lease rentals something which will be applied going forward?

**Rajeev Dalmia:** It will be from 1<sup>st</sup> April 2012.

**Pratheesh Krishnan:** And secondly can you just share what is the quantum of lease rentals which is in the balance sheet today to be received?

**Rajeev Dalmia:** Around Rs. 300 crores.

**Moderator:** Thank you. The next question is from the line of Swati Nangalia from IDFC Securities. Please go ahead.

**Swati Nangalia:** My first question is related to the SAC. Our marketing expenses have gone up on a QoQ basis. Then how have we managed to keep the SAC at the same level as the last quarter.

**R. C. Venkateish:** If you add both the marketing and selling put together, the total number is more or less the same. We had higher marketing in this quarter and we had higher trade margins and sales commission in the last quarter, but both netted themselves out.

**Swati Nangalia:** Okay. My second question is related to the churn rate, you mentioned about 1% per month churn which is more in the comfort zone. Now given that our gross subscriber base is at 12 million, at 1% monthly churn rate, it implies that you will probably lose close to 1.5 million subs on an annual basis and with the SAC of Rs. 2200, it means capital to the tune of Rs. 350 odd crore is something which will be sunk on an annual basis.

**R. C. Venkateish:** See churn is calculated on net subscribers not gross because the churn subscribers are taken out of the calculation. So at a net base of 9.6 at 12% annual churn that translates to about 1.2 million subscribers, but that is the nature of our business. We have gross adds in the region of 2.5 million and churn of about 1 to 1.2 million which gives you a net add of about 1.5. This is the standard norm for DTH operators all across the world. About 10-12% is the cost of sustaining your overall subscriber base.

**Swati Nangalia:** Okay and just lastly what is the sense on consolidation in the DTH industry? Do you see this 6-player market moving to a 4-player market in the next 1-2 years? What I am essentially hinting at is probably smaller players like Reliance or Videocon looking to sell

out and if the consent arises, would we be looking at any inorganic opportunities?

**Jawahar Goel:** If we see the month-on-month acquisition number, there is a club of 4 players which is doing around 82-85% market share and two players who are doing around 16-17%. This has been the scenario for almost one year. We don't know what will happen tomorrow, whether they have fuel to burn or not. We can't comment on that.

**Moderator:** Thank you. The next question is from the line of Rajeev Sharma from HSBC. Please go ahead.

**Rajeev Sharma:** Could you explain why the marketing expenses went up this quarter versus last quarter despite that there were low subscriber additions and second how have the first 1.5 month of this current quarter been, what kind of subscriber traction you are seeing and what kind of ARPU traction you are seeing?

**R. C. Venkateish:** The marketing spend is not in anyway correlated with the subscriber addition. We invest in marketing according to overall program and strategy that we have and with digitization round the corner one has to invest in the brand.

**Rajeev Sharma:** How has been the traction in terms of subscriber traction in the last 1.5 months in terms of current quarter?

**R. C. Venkateish:** It has improved from our average run rate which we had of last quarter. From around 130 odd, it has gone up to about 160-170, but the real figure of digitization is yet to come. I think we will see that towards June 15 or so provided everything remains on track.

**Rajeev Sharma:** And just two quick book-keeping questions. What is the CAPEX for this quarter and you mentioned that there are 1.2 million set-top boxes overall in the trade and system, so your CAPEX will be to the lower by 1.2 million subscribers?

**Rajeev Dalmia:** No, at any point of time, we have sufficient set-top boxes in the trade because of the large geography that we cover. CAPEX for the quarter was around Rs. 100 crores.

**Rajeev Sharma:** You mean that you will have to always keep that kind of inventory in the system? So there is no deduction we should be making here?

**Rajeev Dalmia:** This is the average inventory which we carry, it might be paid for or unpaid however a large part of it is paid by the distributor, but not yet activated. Some part of it is with us in our godown situated all across the country.

**Moderator:** Thank you. The next question is from the line of Namrata Sharma from HDFC. Please go ahead.

**Namrata Sharma:** Our incremental market share has decreased from 27% in FY11 to 24% in FY12. How do we see it going forward factoring phase I and phase II digitization?

**R. C. Venkateish:** I think it is likely to remain at this level around 24-25%. We had additional competitive intensity between last year and this year. However, we have seen a couple of players sort of griddling off right now. One has become a regional player and the other national player who has been operating at a very low profile.

**Moderator:** Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

- Hiren Dasani:** What was the contribution margin in this quarter?
- R. C. Venkateish:** Content cost 30%, gross margin 70%.
- Hiren Dasani:** 70%. Okay and the FOREX loss of Rs. 6.5 crores, is it reflecting above the EBITDA or below the EBITDA?
- Rajeev Dalmia:** In the finance expense.
- Hiren Dasani:** Sure and you said earlier that your funding cost is L+2 on the foreign debt. Is it all inclusive, I mean, does it include the upfront charge?
- Rajeev Dalmia:** There are some upfront charges also.
- Hiren Dasani:** All inclusive would be what? L+3.5 odd?
- Rajeev Dalmia:** These days it is 3.5. Earlier it used to be 4 and 4.5 also.
- Moderator:** Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** First question is on the accounting for the inactive subscribers how would this reflect in the financials like can we see a significant impact in FY13-14?
- R. C. Venkateish:** No. We expect quite a few of them to come back during digitization because a lot of these markets will come under the digitization plan and old boxes which are inactive will come back because lot of people had switched to analog cable Those things will have to forcibly come back.

**Kunal Vora:** Surely and my second question is on the transponder capacity, would you need to add some more transponder capacity considering that the cable operators have been asked for a capacity of 500 channels?

**Rajeev Dalmia:** We already have highest number of transponders in the industry.

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

**Vikas Mantri:** Just wanted to understand the ARPU movement. We took a Rs. 10 hike which was also taken by the other players per se and in the last quarter con-call, we said that generally, the impact should come off with one month of lag. So just wanted to understand changes in between the timeline that we have actually seen a sequential decline in ARPU?

**Rajeev Dalmia:** The down gradation of packs either from top to middle or from middle to lower one is the primary reason for the slow movement in ARPU. However, it is our constant endeavor to improve the pack mix.

**Moderator:** Thank you. We have one last question from the line of Amit Kumar from Kotak Securities. Please go ahead.

**Amit Kumar:** Actually most of my questions have been answered. My question was really also on the ARPU side that over a period of time we have taken price hike across packages but the effective increase in ARPU over the last 12-18 months has just been about Rs. 10-12. So I am not entirely sure about the rationale behind that.



**R. C. Venkateish:** Any increase in ARPU is at the gross consumer level. By the time it filters down to us at the net level it is subjected to various deductions. If we take a Rs. 20 increase at the consumer level what actually flows down to me is only about Rs. 15-16.

**Amit Kumar:** Okay sure and just one last point. What is the status of the HD subscribers at this point of time? At the end of the year how many subscribers did you have? What kind of an ARPU did you report for those?

**R. C. Venkateish:** We have around 1,60,000 subscribers who given us an ARPU of about Rs. 438.

**Amit Kumar:** Is it at the gross level or at the net level?

**R. C. Venkateish:** At the gross level.

**Amit Kumar:** Okay thanks a lot.

**Moderator:** Thank you. I would now like to hand the floor over 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 end of the first quarter of fiscal 2013 or even earlier on a one-on-one basis. Thank you and have a great day.

*# This transcript has been suitably edited for ease of reading.*