

DISH TV INDIA LIMITED

4Q FY15 EARNINGS TELECONFERENCE MAY 26, 2015, 4.30 P.M. INDIA TIME

Moderator: Ladies and gentlemen, good day and welcome to the Dish TV India Limited Q4 FY15 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. Good afternoon, ladies and gentlemen and thank you for joining us today to discuss the results of Dish TV India Limited for the quarter and year ended 31st March, 2015.

To discuss the results and performance, joining me today is Mr. Jawahar Goel – Managing Director, of the company along with the Chief Executive Officer – Mr. RC Venkatesh, and the CFO – Mr. Rajeev Dalmia. We will start with a brief statement from Mr. Jawahar 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 for investors and analysts only.

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

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

Dish TV added 404 thousand net subscribers during the quarter reaching a net subscriber base of 12.9 million at the end of the period. We doubled our subscriber growth over FY14, adding more than 1.5 million net subscribers during the fiscal ended March 31, 2015.

Overall, Fiscal 2015 was a satisfying year. I am glad to note that post a strong Q4 we have turned PAT positive both at the quarterly level as well as for the full year. Dish TV recorded a net profit of Rs. 350 million for the quarter compared to Rs. 1,490 million loss during the same quarter last fiscal. Net profit for the full year was Rs. 31 million compared to a loss of Rs. 1,576 million in FY14.

Our single-minded devotion to being the leader in the DTH industry, along with uncompromised financial discipline, has played a key role in making us reach the net profitability milestone much ahead of our peers.

Throughout last year and till date, Dish TV has been instrumental in driving the 'Digital India' movement through an early execution of digitization in DAS phases 3 & 4. It was around the same time last year that we launched a second brand, Zing, in the Indian DTH space.

During the quarter, while Zing gained ground in Phase 3 & 4 markets, HD driven sports offerings were the main-stay, in Rest of India, during the Cricket World Cup 2015. We garnered net subscribers that were almost equal to the festival quarter of October – December 2014.

We continue to work towards enhancing ARPU levels. Post a successful absorption of higher pack prices in Delhi, Mumbai, Pune and Kolkata, differential pricing – an industry first from Dish TV was rolled-out in the



balance 38 cities covered under DAS Phases 1 and 2 with effect from midnight on May 12, 2015. All pack prices, for new as well as existing subscribers of Dish TV, have been moved by Rs. 10 each in the 42 cities under Phase 1 & 2.

We are confident that pack price hikes, higher HD uptake, as well as industry level developments such as initiation of packaging in cable will be key contributors to ARPU expansion going forward.

On the financials front; Dish TV further strengthened its financial position during the quarter.

Standalone subscription revenues of Rs. 6,828 million were up 24.4% Y-o-Y while operating revenues of Rs. 7,547 million were up 18.5%.

With cost line items under control, the resultant EBITDA for the quarter increased by 72% Y-o-Y. EBITDA margin improved to 29.4%. PAT of Rs. 350 million resulted in Free Cash Flow (FCF) of Rs. 702 million for the quarter while Churn for the quarter was maintained at 0.7% per month.

With this, I would like to open the floor for the question and answer session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Shobhit Khare of Motilal Oswal Securities. Please go ahead.

Shobhit Khare: Firstly, I have some housekeeping questions if I could get the revenue break-up please?

Rajeev Dalmia: Subscription revenue is 2,545 crores, lease rental 81, teleport 21, bandwidth 21, advertisement 42, and other operating income 8 for FY15.

- Shobhit Khare:** Okay. And could we get the gross debt and net debt numbers?
- Rajeev Dalmia:** Gross debt is 1,450 and net is 975 crores.
- Shobhit Khare:** Sure. And sir this pack price increase which we have done, what kind of subscriber base is it effective for?
- RC Venkateish:** You are talking about the differential pricing?
- Shobhit Khare:** Yes, sir.
- RC Venkateish:** That will impact 35% of our subscribers in the DAS Phase-I and Phase-II areas.
- Shobhit Khare:** Okay, 35%.
- RC Venkateish:** 35% by revenue.
- Shobhit Khare:** Right. And sir just wanted to know on the recent TRAI regulations on charging activation revenue, what kind of impact do we see on our schemes because of that? And finally, on the license fees provision for next year should we continue with to model around 11.5%?
- RC Venkateish:** License fees has always been 10%.
- RC Venkateish:** As far as the Activation fee order is concerned it is already been challenged in court and the activation revenue is nomenclature at the end of the day, for conveyance we split the value between the cost of the box and then we collect something as activation that can be easily fully recovered by invoicing the box at the price, so that does not make any difference for us.
- Shobhit Khare:** Okay. So will there be an impact on the way we book revenues or it will remain exactly the same?

- Rajeev Dalmia:** No, we have to wait for the outcome of the court then only we should do because today the matter is in TDSAT and the next hearing is in the month of July.
- Shobhit Khare:** And license fee also will remain at the same level as it is right now for next year.
- RC Venkateish:** License fees matter is under consideration by ministry for the new regime as you know all DTH operators are given license for ten years and in most cases at least in Dish TV as well as Tata Sky ten year is completed almost. So they have to notify new licensing regime; TRAI has recommended a reduction on license fee from 10% to 8% AGR effectively translates to 7.7% that is still to be notified by the ministry.
- Moderator:** Thank you. Our next question is from Suresh Mahadevan of UBS. Please go ahead.
- Suresh Mahadevan:** It is very good to see this company evolve and go into another stage. Now, I had a couple of big picture questions. First is obviously, one of the bullish pieces for Dish TV is around ARPU, I mean clearly digitalization helps that and having the Indian consumer space very little to watch I think pay-tv. So could you talk through your medium term thought process how this is likely to evolve because this will be one huge value driver for the company that is question number one? My second question is I would like to get sense from you on how Dish TV is approaching Phase-III and Phase-IV digitalization? Because you know clearly it seems there may be a delay of few months I mean that obviously good for Dish TV, I mean it gives you more opportunity to convert to DTH so, I would hear inputs on that. Thank you.
- RC Venkateish:** On your first question on how we think the ARPU will evolve, the underlying dynamics of movement of our ARPU, if you look at it

historically been constrained by competition from cable. Now, if you are looking at the total install base of digital boxes in the current universe it is close to 60 million - 65 million. I have always mentioned that once that tipping point is reached where the total number of digital boxes in the environment, let's say is more than 60% or 70% then the pricing in the rest of cable doesn't seem to matter and that is what we are seeing happening in the major urban cities. For example where churn rates have come down quite drastically and when we took up those differential pricing we were quite surprised to find that there was hardly any push back at all so there was case for us to far more aggressive on pricing and the fact of the matter, if you take DAS Phase-I and Phase-II then you are looking at an environment where it is largely digital and where the cable operator cannot go and usually churn a customer because his pack price is slightly higher. So I think prognosis for ARPU is very positive, it is only a question of people taking the price up and we have taken a lead for example in the DAS Phase-I and Phase-II we are selling at a Rs. 10 premium to any other DTH operator and it has not made difference at our sales we are looking at widen that differential and I am sure others will follow because nobody wants to leave money on the table and as we do we will accelerate that process. You have seen us being very aggressive in taking the prices up. We took prices up in October then we took prices up in February then we implemented differential pricing in March and then rolled it out again in May so we will continue to push the table up and with increased penetration of digital boxes these prices we believe will tend to stick. As far as your second question is concerned on DAS Phase-III and Phase-IV we had one year or one and half head start on that with our second brand Zing that was basically formulated and designed for these markets and we have been executing very successfully with that brand over the last 12 months. Today Zing is almost contributing 22% of net incremental addition and it is highly profitable product with higher margins than even the base brand Dish TV. So we

continue to execute that and having said that digitalization is not going to be a one-time event. We have seen that historically even Phase-II digitalization cities did not get switched off overnight so basically digitalization as a means of increased pressure on people to start moving to digital cable is totally unprepared right now. Therefore, we do expect the Phase-III and Phase-IV will be sort of a fertile ground for Cable, that we have always maintained, and within DTH with a very specific product for Phase III- Phase-IV we believe Dish TV will press home the advantage.

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

Saurabh: Sir my question was essentially on your programming cost that your operating leverage has been driven by programming cost which you clearly kept under check what should be the guidance for next year should it be still around this mid-single digit mark?

Jawahar Goel: Our guidance has been around mid-single digit and we should not talk more on that. But you might have gone through the press release from one of our fellow DTH operator on providing the content free of charge on a connected device. So we are also concerned and we will try to use that phenomena to keep our price under control & our cost under control.

Saurabh: But most of your programming costs are basically from what I understand drawn till mid 2017 is that understanding still correct?

RC Venkateish: Our next content renewal is on September of 2016 which is currently about four quarters away but by that time we hopefully should be a 15 million - 16 million subscriber platform that should improve on negotiating leverage.

Participant: Sure, sir. And just a related question so what is the stabilized level of EBITDA you will target I mean obviously this quarter you have done very well for the year we have done about 26% and I imagined till at least September '16 the operating leverage will flow through and your margin should hopefully keep raising so I mean what is the target margin you would have in mind?

RC Venkateish: You must look at the external triggers also. The GST happens in April 2016 and the second one is license fee being notified that will be notified as per the TRAI recommendations.

RC Venkateish: 230 basis points on the license fees itself, so then the GST depending on the what the revenue run rate is, it could be anywhere from 100-150 to even 250-300. So at those points we are focusing on making sure that our top-line grows much faster than the middle line. We are reasonably confident in executing that because the other line items in the middle line are largely manageable by us. So that is how we see the prognosis. Overall there is no stable state in this industry because it is highly competitive industry we will have to see what dynamics will play through but we certainly see scope from both organic as well as external factor related margin expansion going forward.

Moderator: Thank you. Our next question is from Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri: Sir, can I get the break-up of revenues for this quarter?

Rajeev Dalmia: Yes, for the quarter, subscription revenue is 683, lease rental 17, carriage 31 and advertisement 16.

Vikash Mantri: 31 crores is carriage?

- Rajeev Dalmia:** Yes, it is higher than the last quarter.
- Vikash Mantri:** Sir our full year carriage is how much?
- Rajeev Dalmia:** 81 crores.
- Vikash Mantri:** Okay. Should we take this as a run rate what should be the run rate we take for next year sir?
- Rajeev Dalmia:** Similar number.
- Vikash Mantri:** For the quarter or for the annual number because annual is 81.
- RC Venkateish:** Quarter run rate you can extrapolate for the year.
- Jawahar Goel:** Vikash, we are not going back we have to move ahead.
- Vikash Mantri:** No, I thought something lumpy in this quarter. Sir programming cost which is well maintained, now the 27.5% increase by TRAI was shot down by TDSAT. Now does this also help us in managing our content cost?
- RC Venkateish:** There are two aspects to that one is there is a benefit because we had paid on the basis of RIO to broadcasters in the last fiscal that is not reflected here so that is the credit which will accrue to this quarter or depend on what the appeal in the Supreme Court which is there for July 1. Going forward it does not have any sort of reset in the content cost where we have RIO for example with some DTH and a couple of other smaller broadcasters so there will be a saving there the order of magnitude of that will be in tens of crores not something dramatic.
- Vikash Mantri:** And sir your view on the recent actions of another player in the market of daily recharge and also aggressively cutting prices in south pack for around 100 bucks so, how do you see that sir?

RC Venkateish: I think you must have read what my opinion was on that and obviously it has not worked.

Jawahar Goel: We have not reacted and we have decided not to react. It is not economical because if a person visits home once a week, Sunday to Sunday he virtually watches television for Rs. 32 the cost of running is more than that so, it was a marketing plan which I think has not worked.

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

Srinivas Seshadri: My first question is on the ARPU it has been a very good performance which bucks the seasonality trend, just wanted to understand if there is some bit of sports related impact because of the World Cup which has been here because one sees a little bit of increase on the programming cost line also so if you can give some color on that?

RC Venkateish: Overall the quarter has been definitely helped by the Cricket World Cup because overall acquisitions and everything were up but as far as the ARPU is concerned we after our deal with the sports broadcaster Star have the sports channels in the packs unlike earlier years where we were selling A-la-carte. So therefore, there is not any specific impact on the ARPU because of the sports pack as the product is already available within the packaging, having said that overall yes, there was a buoyancy on the World Cup fortunately we are not seeing any major slack after that because IPL has been on for the last two months and this quarter we have been seeing sustained momentum.

Srinivas Seshadri: Okay. So there would have been some bit of package subscription or taking up of the sports packs by some of the customers prior to the World Cup?



RC Venkateish: That is already in sort of tiers.

Srinivas Seshadri: Okay. So tier movements would have happened accordingly.

RC Venkateish: Yes.

Srinivas Seshadri: Okay. But you have not seen any at least so far any drop off from those tiers after the World Cup?

RC Venkateish: No, the drop off from the tier will be requiring a downgrade that is different dynamics all together.

Srinivas Seshadri: Okay. So that is not something you are seeing now, okay. And second was I heard the management speak about adding 3.2 million subscribers next year. Just wanted to understand the assumptions behind that is it more because of higher market share or more industry subscriber additions or mix and if you can throw light on what would be the drivers as far as the company as well the industry is concerned?

Jawahar Goel: See we had done some business plan for the year and impact of digitalization has been factored into it. So that is why I said 3.2 million, the management is making effort to achieve that.

RC Venkateish: This is at gross level.

Srinivas Seshadri: Yes, I understood so this factors in some bit of DAS tailwind coming towards the end of the year also.

Jawahar Goel: Yes, it will.

Srinivas Seshadri: Understood, sir. And sir just on the revenue break-up I believe carriage has gone up from run rate of around 20 crore to over 30 crores within the quarter if you could just explain like are these more driven by rate revisions or have

you taken on more channels and charging carriage from them and from that perspective what can happen going forward next year?

Jawahar Goel: I think what we have said just few minutes back that we will be expecting that 30 crore per quarter, it should be normal figure for us.

Moderator: Thank you. Ladies and gentlemen, may we please request you to limit your questions to two per participant time permitting you may come back in the queue for a follow-up question. Our next question is from Kunal Sangoi of Birla Sun Life Asset Management. Please go ahead.

Kunal Sangoi: Sir my question was with regard to HD subscribers if you can share some details with regards to subscriber additions how much in terms of base it is and how do you see the ARPUs on the HD side?

RC Venkateish: HD subscriber additions last year was particularly good. Driven by the World Cup last quarter it is almost 22% on net adds which is up from about 17%-18% earlier. Having said that 20%-23% and 24% is what we see as a sort of stable level right now because there is still increasing uptick from both ends. On the one hand we are seeing people are upgrading to HD specially in the cities in the metros and then we are seeing products like Zing increasing penetration from analog so that sort of level I think at least for the next fiscal we could target from between 22% to 25%.

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

Abneesh Roy: Sir, my first question is on the overall competitive scenario, sir service tax hike has been effected but we have not seen the DTH players take a hike except what you had already planned earlier. Why is the competition not

taking hike and why we are not seeing similar kind of focus on pricing for the peers and is that a concern?

Jawahar Goel: Abneesh, you should ask this from my competitor not from us.

Abneesh Roy: They do not hold calls sir.

Jawahar Goel: I am sure they are here on the call.

RC Venkateish: Abneesh, what happens is that things happen with a time lag. If you will see the last price increase that we took in February we were the first to take the price increase people followed varying from three weeks to six weeks later they all moved up the prices. Nobody wants to leave money on the table especially in this industry so we expect people will follow suit.

Abneesh Roy: EBITDA margins have come back these high levels after quite a few quarters so inherent discipline of the sector because we are seeing EBITDA margins improve for the other competitors also so inherent discipline of this industry can it get broken because now the broadcaster are focusing on MSOs to get the subscription revenues higher so are you seeing that as a risk factor in terms of margins again coming under pressure after a few next obviously next one or two quarters is fine.

RC Venkateish: See the larger reason of volatility in our margins from last two years or about seven-eight quarters was largely due to the fluctuations in the content cost which had spiked especially with formations like Media Pro. Once they got disbanded the kind of deals that we were able to stitch up ranged from three years to even four years so in that scenario we have much better control on this very key input there was not any other aspect which was driving the volatility in the margins. Now that being under control we have the benefit of operating leverage. We have growth drivers in the form of

Zing and High Definition and the other stuff that we put in place so irrationality what we are talking about here doesn't have much room to impact the EBITDA margins.

Abneesh Roy: Sir my second question is Zing has been obviously a very good innovation. Sir in terms of Zing and HD is it possible to give some sense on what is the EBITDA margin you are getting from those set of subscribers and if you could share number of subscribers also on both HD and Zing? And Zing do you expect acceleration definitely in Q3-Q4 and sir what is your deadline do you see that six months deadline delay, do you see three month deadline delay because you are in close contact with government so, what is the current sense you are getting digitalization Phase-3?

RC Venkateish: Firstly, on the margins we do not break it up product wise but I can tell HD has highest margins followed by Zing followed the normal product so that could give you sense where the margin really is for both Zing and HD.

Abneesh Roy: The number of subscribers can you give some color on that?

RC Venkateish: Both HD and Zing it is around 22% contribution currently at least in the last quarter, I must point out that last quarter also HD subscription was boosted by World Cup which also sustained in Q1 but in the normal rate run that 22 probably would drop to about 20-21.

Abneesh Roy: How much is the delayed expected in Phase-III?

RC Venkateish: Phase-III and Phase-IV as I mentioned earlier also, this a process and not an event. It is not going to happen on December 31st at all such that 35 million homes are going to be without the TV. We have seen that happen in Phase-II, all that is going to happen is there will be some extra pressure put on the ground to convert. Even today there are certain Phase-II markets

which I have not implemented digitization like Tamil Nadu for example. So digitization we must understand is more of a process which will take probably another two years so it is not that overnight you are going to have all analog switch off. It is impossible to even conceive such a situation.

Moderator: Thank you. Our next question is from Rohit Dokania of IDFC Securities. Please go ahead.

Rohit Dokania: Two-three questions from my side. Two book keeping questions, could you please talk about the SAC number and also the CAPEX for '15?

Rajeev Dalmia: CAPEX is ~ Rs. 715 crores and SAC is ~ Rs. 1725.

Rohit Dokania: And sir the other question would be in terms of the e-tax rate. What would have been the cost item that you have booked in FY'15 versus FY'14?

Rajeev Dalmia: E-tax is over 150 crore this year there is an increase around 13%-14% over last year.

Rohit Dokania: Okay. And sir just one last question in terms of the rental revenue is there any bit of revenue that is still to be booked into the P&L or we have already booked?

Rajeev Dalmia: Say around 55 crore is left.

Rohit Dokania: And we will book that in FY'16?

Rajeev Dalmia: Yes, then it will be over.

Moderator: Thank you. Our next question is from Mayur Gathani of OHM Group. Please go ahead.

- Mayur Gathani:** Just wanted to check what could be exit ARPU for FY-16? And your net debt levels for FY-16 sir?
- RC Venkateish:** We are looking at around 6% to 7% increase in ARPU in FY-16.
- Mayur Gathani:** So from 174 levels we should see that or from 179 sir?
- RC Venkateish:** From 179 you are talking about exit-to-exit, right.
- Mayur Gathani:** Okay, fine and debt levels?
- Rajeev Dalmia:** Debt number may not change because if we are planning 2.5 million to 3 million new boxes that means we need more money from the bank so we will be able to maintain the same between 1,300 to 1,500. But the major reduction will take place in 2017 when we have very less debt to be paid to bank.
- Mayur Gathani:** To understand clearly considering the new addition that you intend to pay your debt levels will still be in the same level gross debt?
- Rajeev Dalmia:** Yes, almost the same level.
- Moderator:** Thank you. Our next question is from Arjun Khanna of Principal Mutual Fund. Please go ahead.
- Arjun Khanna:** Sir you just mentioned the debt level, just trying to understand sir when there a transition from our DTH license to the new one the contingent liability that we have to pay what is the status of that sir?
- RC Venkateish:** That is still under litigation so these two are separate events I would not say that they are linked.
- Jawahar Goel:** And they are not contingent liability they are provided liability.

- Arjun Khanna:** Actually I was referring to say the possibly of the interest part of it so if you could break that up what is the amount provided in our balance sheet and what would the interest component be?
- Rajeev Dalmia:** The total amount is around 1,000 crore, 800 is principle and 200 is the interest.
- Arjun Khanna:** Sir my second question was in terms of the ARPU growth that we are looking at probably on longer term. We have seen that people are moving to say higher packs and towards HD but initially we thought of value-added services or say premium channels like HBO Hits & Defined, we have seen that ramp up across industry. Just to understand your thoughts on that sir.
- RC Venkateish:** We have fairly unique strategy on these value-added services which you will at least see us execute in the next quarter. I do not want to preempt but it is a major product launch in the VAS area which is very different any of the VAS offering that you have currently in the market and which we believe will be a major driver of VAS but obviously I cannot get into more details right now.
- Arjun Khanna:** Fair enough sir but in terms of say the guidance you gave for ARPU I assume that is not included?
- RC Venkateish:** That is not included, yes.
- Moderator:** Thank you. Our next question is from Sandeep Gupta of Ambit Capital. Please go ahead.
- Sandeep Gupta:** Two quick questions from my side. One, what is the kind of net subscriber adds that we can guide for FY-16 and FY-17 perspective?
- RC Venkateish:** 1.4 to 1.7 million.

Sandeep Gupta: In both the year sir?

RC Venkateish: No, our guidance is for next year

Sandeep Gupta: For the next year?

RC Venkateish: Fiscal year.

Sandeep Gupta: Okay, second sir if I look at the gross debt number that you just mentioned of 1450 crores and if I look at the balance sheet the long-term debt in that is mentioned as nil so is it fair to assume that the significant component of debt which use to long-term in nature is coming up for repayment in the current financial year?

Rajeev Dalmia: There is some division of business between Dish TV and there is a new company called Dish Infra so almost all the long-term debt have moved to Dish Infra that is why there is some adjustment in the current and non-current asset in the last quarter itself. And liability because we have moved both our boxes as well as the liability in terms of loans so it is slightly different than the normal long-term debt or currently liability payable within one year. The debt number which is payable in the next one year by us is around 825 crores.

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

Bijal: This is Bijal from IIFL and congratulations on very good set of numbers. My first question is on recharge ARPU so how it has moved over last one year if you can give us some idea because there is some element of change in accounting policy with respect to subscription income that has also impacted ARPU so some color on recharge ARPU would be really helpful.

Rajeev Dalmia: See there is nothing like recharge ARPU as we used to have two - three years back. Most of the revenues that are now collected from subscribers are treated as subscription revenue whether it is activation revenue, daily recharge revenue, any VAS service, grace charge, and all the related services. Earlier we used to distinguish between the rental revenue and recharge revenue. Now most of the operators are doing the same thing the ARPU reported is the ARPU recharge.

RC Venkateish: Not only that, earlier there used to be content bundling we used to bundle two months, three months, four months, then six months so there was something called a renewable ARPU not the recharge ARPU and since all operators are now mostly selling on a bare box and nobody bundles months anymore that concept has become redundant.

Bijal: And second question if you can just tell me gross addition for FY-15?

RC Venkateish: Gross addition was 2.46 million.

Bijal: 2.46. Ok

Moderator: Thank you. Our next question is from Yogesh Kirve of B&K Securities. Please go ahead.

Yogesh Kirve: Sir if you look at the last two three years our gross debt has been pretty much stable at around 1,500 crores but interest cost seems to have gone up quite a bit. I understand this is some part on account of the interest on the regulatory dues but has there been any underlying increase in the cost of debt?

Rajeev Dalmia: Yes, there is because earlier most of the debt was foreign exchange debt so we used to suffer the exchange loss which was routed through cash flow but not through the interest column. Now out of the 1415 crore of debt we have

\$155 million and the rest is rupee debt and the rupee debt is on average say 11.75%

RC Venkateish: That is one and the second thing is the large component of interest cost is interest on the license fee claim which is due. So for example, two year ago that number which has been accrued of around 600 crores and today it is close to 800 crores so that interest component keeps increasing, however, having said that our legal position also from advisors based on the kind of DTH license that was issued to Dish TV even that claim for the DAS license fee their the interest part is not payable so that is something that has to be subject to review.

Yogesh Kirve: Staying with the same so what sort of and weighted-average cost of debt should we look at FY-16 & FY-17?

Rajeev Dalmia: It will be around 8.5% to 9%.

Yogesh Kirve: Sir secondly our subscriber acquisition cost we have seen a fair bit of discipline both from the Dish TV as well as for the industry perspective but going into the Phase-III and Phase-IV digitization. Is there a chance the subscriber acquisition cost could increase?

Rajeev Dalmia: If the rupee remains at a place where it is, there should not be much disturbance in the SAC rather according to our estimate it will be slightly less because we are renegotiating the box price so there will be some kind of saving but it all depends on the rupee-dollar parity, if it moves to 68-69 then again whatever negotiation is done that will be wiped out. But more or less you can take the ballpark figure of 1,700 to 1,800 or 1,850.

- Yogesh Kirve:** Right. So I understand that second quarter if I am not wrong we had a number of around Rs. 1,650 in terms of subscriber acquisition cost so there has been an increase should we read anything in it or?
- Rajeev Dalmia:** No, because it is a mix of standard definition and high definition so as the proportion of high definition increases there will be some increase in the subscriber acquisition cost because of the price difference in the box price of SD and HD.
- Moderator:** Thank you. Our next question is from Kunal Vohra of BNP Paribas. Please go ahead.
- Kunal Vohra:** Two questions from my side. Can you talk about what is the expense pertaining to the set-top-box write-off during the quarter and during the year? And second is the churn, like you actually have maintained it very well what is the outlook? Do you believe it can remain at 0.7% kind of level or what will be the outlook for that?
- Rajeev Dalmia:** See as per as write-off is concerned we had slightly less write-off in the fourth quarter and that is why the depreciation figure is less than the third quarter. For the whole year it was around 80 crores to 85 crores and the balance is the normal depreciation. And what is your second question?
- Kunal Vohra:** On the churn level sir churn level has been well maintained at 0.7%.
- RC Venkateish:** It seems to be industry wide phenomena after digitization. The level of churn has come down for almost all the players. The churn especially in the Phase-I and Phase-II market is very low because simply book the cable operator does not have spare boxes to go around churning subscribers.
- Kunal Vohra:** Okay. On the first part again so 80 crore - 85 crore which pertain to the box write-off for this year, how do we look at it next year?

Rajeev Dalmia: We had some slowdown in the fourth quarter last year it will continue likely but it will not be less than 80 crore - 85 crores because of the pull which is coming and churn rate remaining constant so it will remain like 80 crores - 85 crores.

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

Vivekanand Subbaram: Just one small question on the Sri Lanka operations any update that you would like to share with us?

Jawahar Goel: Yes, we have started the operation today and we will be able to give light in this coming quarter.

Vivekanand Subbaram: Sir, any guidance on the capital outlay in Sri Lanka for FY-16?

Jawahar Goel: It is not substantial so far it has been \$4.5 million and there can be some expansion about \$2 million so it is not significant.

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

Nitin Mohta: Thanks for the opportunity and great to see the black print on Dish income statement. I had two questions firstly on the ARPU front. If I rewind a little bit in FY-13-FY-14 there was a prolonged gap between when we use to take price hikes and translating to ARPU and that changed in FY-15. So just wanted some color in terms of what has really gone into a faster flow of market prices into an ARPU increase?

RC Venkateish: I think if you look at the consumer dynamic as well as the fact that cable prices have also moved up. If you look at comparative basis where we were two years ago before digitalization cable prices on the ground were Rs. 100

- Rs. 125 now they have also moved up. So the overall price equation at this point of time is such that we are able to take these increases plus if you look at it from a quantum perspective we have moved instead of taking let's say 10% hikes into taking 3% to 4% two to three times a year that tends to get better absorb then sharp increase of about 8% to 10% once a year which we were doing previously.

Jawahar Goel: And we see there has been a tax compliance for the cable side DAS-I and II market has increased substantially so as tax compliance goes up then we have headroom actually.

Nitin Mohta: Thanks sir. My second question was on Phase-III and Phase-IV digitization one of the reasons given by the government for a push out was that they wanted to promote making of the step top boxes in the country does not really seem to have taken off from the ground and is that really a risk that we could see up to long delay in terms of digitization actually happening?

Jawahar Goel: I think the major shift on the boxes manufacture in India will happen when GST rolls out otherwise LBT and VAT and so many taxes and pre-taxes and excise there is a very complicated structure for even domestic manufacturer. So let's wait for some time. We are ready. One of our vendors is starting manufacturing this month only just to test the capacity, it will take some time. So we would not like to give guidance but we are ready and watching the environment.

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

Bhoutik Chauhan: Most of my questions have been answered. Just a couple of them, how many inventory of boxes do you own?

Rajeev Dalmia: It is around 8,00,000.

Bhoutik Chauhan: Okay, sir. My next question pertains to total expenditure. For FY-15 total expenditure excluding depreciation stood at 2,048 crores. So out of this how much would be our fixed cost and how much would be our variable cost if you can give some broad idea about that?

RC Venkateish: Yes, variable costs are 10% license fees, 4% collection cost and about 6% entertainment tax

Moderator: Thank you. Our next question is from Sumeet Rohra of Silver Stallion. Please go ahead.

Sumeet Rohra: Sir I just had a couple of questions when do you think can this license fee issue be sorted and what is the rate of license fee which you feel is possible sir?

Jawahar Goel: Sumeet, the courts are going on summer holiday for two months. We do not expect anything but there are three components on license fee issue – one is the prior period, another is the interest and third is the period after October '13. So October '13 the issue can be sorted out by Ministry when they notify new licensing and the other two are in the hands of the court which we actually do not know. So we are keeping our fingers crossed.

Sumeet Rohra: Understand, sir. And just one more point which comes to my mind so today Dish TV has 13 million net paying subscribers if I am correct and we will add 1.5 million so we will reach 14.5 million. So a very random thought came to my mind so why our carriage cost cannot go up from 100 crores to 200 crore when we have 15 million net paying subscriber, is that possible sir?

Rajeev Dalmia: See if we increase carriage cost to that extent our normal subscriber will be hit.

RC Venkateish: Bandwidth charges yes, there is a scope but you see currently the situation is there are two types of broadcasters – one let us say the pay broadcaster with whom when we negotiate the deal is a net carriage like Star, Sony, etc., unlike the cable system we do not take money in one hand and give it back to the other. So primarily carriage that we get is from other channels which are fee-to-air channels, etc.

Moderator: Thank you. We will take our take our last question from Rajeev Sharma of HSBC. Please go ahead.

Rajeev Sharma: Just a couple of questions from my side. First is what are the possibilities of equity dilution or fund raising given that everything is working in your favor and the results are also positive so do you think it is a great time to go and raise equity for Phase-III? And second is what prevents competition to replicate Zing?

RC Venkateish: On your first question we are generating enough cash this year for example despite 2.5 million gross additions we have generated free cash flow 120 crores. So I do not think capital is a constraint. Having said that obviously we have to see what form or shape the Phase-III and Phase-IV digitalization takes shape but knowing the way it will run we do not expect a sudden explosion and 70 million houses going dark so that is not going to happen. So what was your second question?

Rajeev Sharma: Second question was on Zing.

RC Venkateish: See anytime anybody does an innovation there is always a possibility for anybody to copy it so obviously nothing to prevent anybody from copying

any new innovation from anybody in any industry. So it is just that we have got a head start if somebody wants to copy they will be two years late that is all.

Rajeev Sharma: Okay. And one last question if I can chip in is any latest thoughts on Reliance Jio because they churning employees and their senior manager from other cable companies, I know cable companies may suffer the first but your thoughts like what are you picking up from ground?

RC Venkateish: We do not want to speculate. We do not really know what form and shape the final offering is going to come in and I think there has been a lot of speculation around this let us see what really comes out.

Moderator: Thank you. I now hand 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 on our website www.dishtv.in. Thank you and have a great day.

This transcript has been suitably edited for ease of reading.