



## DISH TV INDIA LIMITED

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2Q FY 2012 TELECONFERENCE  
OCTOBER 19, 2011, 4.00 P.M. INDIA TIME

**Moderator**

Ladies and gentlemen good day and welcome to the Q2 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 evening ladies and gentlemen and thank you for joining us today. This conference call has been organized to update our investors on Dish TV's performance in the 2<sup>nd</sup> quarter of fiscal 2012 and to share with you the outlook of the management of the company.

To discuss the results and performance joining me today is Mr. Jawahar Goel, Managing Director Dish TV India Ltd along with the senior management team of the company including Mr. R.C. Venkatesh, CEO, Mr. Salil Kapoor, COO and Mr. Rajeev, Dalmia Chief Financial Officer. We will start with a brief statement from Mr. Goel and will then open the discussion for questions and answers.

I would like to remind everybody that anything that we share 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 start, I would request all media representatives who may have joined in to please disconnect immediately since this call has been organized only for our investors and analysts.

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

**Jawahar Goel**

Good evening ladies and gentlemen and thank you for joining us today to discuss the results of Dish TV India Limited for the quarter ended September 30th, 2011.

Dish TV added 575 thousand new subscribers in the quarter, achieving a total of 11.7 million gross and 9.2 million net subscribers at the end of the period.

Dish TV, has been the frontrunner of the Indian DTH industry since inception and has time and again demonstrated agility to adapt itself to a changing business environment. As challenging macro economic conditions prevail, we believe Dish TV remains well placed to capitalize on any resultant opportunities.

The recent digitization mandate spells opportunity for the DTH industry to strengthen its foothold in traditional cable strongholds. As consumers choose between alternatives, we believe that Dish TV with its strong brand presence and service backup is likely to be the preferred choice of the television consumer.

Also, with digitization likely to flow through urban consumers in the first two phases of implementation, High Definition (HD) activation is poised to be one of the key beneficiaries. Our newly introduced 'HD World Pack' at Rs. 375 per month is designed to attract entry level HD subscribers from the vast pool of such urban markets. Coming over to the key financials:

In line with our expectations, Dish TV moved closer to attaining bottom line profitability, but for the loss due to foreign exchange fluctuation. Subscription revenues for the second quarter stood at Rs. 4,124 million, recording a growth of 53% as compared to the corresponding period last fiscal. EBITDA at Rs. 1,218 million recorded a growth of 142% as compared to the corresponding period last fiscal. EBITDA margin for the second quarter stood at 25.3%. Net loss of Rs. 486 million was negatively impacted by foreign exchange loss of Rs. 304 million.

Key operating metrics continued to be favorable with ARPU registering encouraging improvement in a seasonally weak quarter. ARPU for HD subscribers was at a level of Rs. 454, pointing to a window of opportunity to scale up overall ARPU's going forward.

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

**Moderator**

Thank you sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from Sachin Salgaonkar from Goldman Sachs. Please go ahead.

**Sachin Salgaonkar**

Thank you for the call. I have three questions, first how has been the subscriber uptake in the run up to the festive season? Are you

witnessing the normal seasonality and hence comfortable with the exit ARPU of Rs 160 to Rs 165 and target of around 3 to 3.5 million for the year?

**Venkateish**

It has been on uptake from the last quarter, in terms of the overall uptake the festive season has contributed to that and this year especially both festivals fall in the same month of October. So we are witnessing a good spike up. As far as the ARPU is concerned, though we closed this quarter at 152, on an average our exit ARPU in the month of September was around 154, so we target reaching, the 162 to 165 number.

As far as subscriber acquisition is concerned for the first 6 months of the fiscal we have done 1.3 million as compared to 1.4 million in the same period last year. Given that and also that digitization may play through in the last quarter then we expect that there would be some transition happening prior to the cutoff date of 31<sup>st</sup> March 2012 as well which should give some buoyancy to the overall subscriber off-take. So at this point of time nothing has changed since our previous guidance.

**Sachin Salgaonkar**

Second question is on commission cost this quarter; it was up by around 60% Q-o-Q close to 30% Y-o-Y, what led to this increase?

**Venkateish**

No let me explain that to you. This time, both festivals Durga Puja as well as Diwali fell in October. We traditionally up-stock our trade partners before the festive season. This happened in September so there has been a lot of pre-booking of commissions. The invoicing of our shipments was substantially higher than the actual activations which have occurred in the month of September, so there will be a reversal of some of that in this quarter.

**Sachin Salgaonkar** And my last question is how much is the ad revenue for you this quarter?

**Venkateish** 4 crores.

**Sachin Salgaonkar** So do you see this entire significant uptake in ad revenues for next coming quarters till FY12 or is there any change in outlook out there?

**Venkateish** Ad revenues is not something which goes exponentially, we are building on it if you look at where we are compared to last year we have made a substantial progress and as the platform grows in size and as the acceptability of the platform as an advertising destination grows that revenue will also grow but I'm not expecting some sort of a parabolic increase or anything like that.

**Sachin Salgaonkar** Thanks a lot, all the very best.

**Moderator** Thank you. The next question is from Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy** Sir you said if sunset happens then Q4 will see a bump-up, so my question is how does Dish TV envisage this change, will this happen in Q4 or most likely there will be delay of 4-5 months? Second is in these 2-3 cities how do you think set-top box pricing will happen because some of the cable companies have already said that they will almost offer it free to get that market share. So your comment on the sunset clause.

**Venkateish** As far as the first phase of digitalization is concerned, it is going to be in the metros. In Metros you have the urban consumer and a potential target for high-definition. Now as you know at this point

of time the DTH players and especially Dish TV is well positioned with its HD offerings. So we hope a substantial chunk of this will migrate to HD services. They are moving to digital, they would move to high-definition and therefore there would be an opportunity for players like Dish TV who already have strong capacity in high-definition.

As far as seeding the boxes is concerned, the moment they will switch off in those metros and analog is no longer available the issue is about consumer choice. If the consumer has to make the choice between whether go for digital cable or to go for DTH. A fact of the matter is DTH operators especially Dish TV is well-positioned to take the advantage because we already have the infrastructure as well as the hardware in the set-top boxes available for deployment. These markets are also traditional strongholds for carriage fee, especially cities like Bombay and Delhi account for almost about 40% to 45% of the carriage revenue. So many of our non-DTH competitors, the cable companies are going to face a double whammy in the sense that they are going to suddenly find that their carriage income has dropped substantially and at the same time they have to go and raise money for investment in set-top boxes. I think they are not fully prepared for that at this point of time and we should be in a position to certainly take advantage of digitization.

**Abneesh Roy**

How much incremental market share do you think DTH as a whole can target in those areas and second is regarding pricing, if they give free boxes are we also prepared to go that way or we think that the brand is much stronger and you won't go the cable way?

**Venkateish**

As far as the market share is concerned, I do believe that DTH will get 65% to 70% of those cities which go cable dark. As far as giving free set-top boxes is concerned I do not believe we will get into any sort of debilitating price war with the cable operators, we don't need to do that and also because of the high definition advantage that we have.

**Abneesh Roy**

Sir my second question is on the ad spent, it has gone up by 15% Q-o-Q and suddenly I'm seeing lot more Dish TV ads compared to earlier. Also we have seen subscriber additions slowdown in Q2 Y-o-Y and Q-o-Q. So do we tie this up together that overall you are seeing a slowdown in subscribers, October month will be good because of festive but overall do you think DTH is also getting impacted on a sustained basis because of the slowdown?

**Venkateish**

It is getting impacted but I won't say in a sustained basis, we are not immune to the economy and especially our category is directly related to the off-take of the television sets especially flat panels and things have been substantially down this year. Traditionally the person who buys a new flat LCD typically also upgrades from analogue television to DTH. So undeniably the market environment and the macro environment have been soft and that is reflective in the overall DTH numbers for the last quarter. Having said that, we do not believe this is something which is a sticky phenomenon. We do expect that even if the macroeconomics does not improve very dramatically over the time the whole digitalization momentum will to a large extent compensate for any economic slowdown and we have already seen about 4 to 6 quarters of the slowdown, so the next fiscal should see an uptake.

- Rajeev Dalmia** And we have spent only 34 crores so far in marketing.
- Abneesh Roy** And sir one bookkeeping question, if you can give the revenue breakup in terms of subscription, lease rental and bandwidth?
- Rajeev Dalmia** Yeah subscription was 413; lease rental was 55, teleport 3 crores, bandwidth 7 and advertisement 4 crores.
- Abneesh Roy** Thanks and all the best, I will comeback if I have more.
- Moderator** Thank you. The next question is from Nitin Mohta from Macquarie. Please go ahead.
- Nitin Mohta** Thanks for the opportunity. My question was regarding the subscriber addition momentum, just wanted to understand how much of it has got to do with macro versus competition from newcomers like Videocon?
- Venkatesh** There are two factors, if you recollect, we had mentioned that we had taken the box price up, so that obviously had a dampening effect in our July and August numbers because the market had to absorb the new price. Secondly, the macroeconomic picture also did not help because there was a fairly substantial slowdown during that period. Having said that, there has been an uptake in both September as well as October on month to date numbers.
- Nitin Mohta** And if I can just take a follow up on that, in terms of market shares is there a target that you guys are comfortable with?
- Venkatesh** On an incremental share basis for many quarters we have maintained our leadership. Of course we have bunched up very close in the top three. Both Airtel and Videocon and our numbers



are very close on a quarterly basis. So we do aim to target on a full year basis at least an incremental share of 25% to 26% so that we are able to hold our overall market share where we have substantial lead.

**Nitin Mohta** That's it from my side, all the best for remaining quarters.

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

**Rohan Gala** Good afternoon sir. Some update on the subscriber acquisition cost, it has increased and how do you see this going ahead?

**Rajeev Dalmia** Yeah it has increased because of the increase in the selling and distribution cost and marketing cost to some extent but for that it is same as far as the box prices are concerned.

**Rohan Gala** And how do you see this going ahead for the whole year, it will be in the same range?

**Rajeev Dalmia** It will be around 2100 to 2300.

**Rohan Gala** Going ahead where do you see your losses like by the 4<sup>th</sup> quarter, do you expect to be positive or FY13 will it be positive on a PAT level?

**Rajeev Dalmia** If we analyze our results we are already PAT positive this quarter if you remove the effect of forex loss as well as the high amount of commission which is in fact pre-booking of expenses. So if you remove the effect of 30 crores and 19 crores it is 49 crores and our loss is 48 crores.

- Rohan Gala** That's it sir, thank you very much.
- Moderator** Thank you. The next question is from Rahul Bhangadia from Lucky Securities. Please go ahead.
- Rahul Bhangadia** Thank you for taking my question sir. I had a question related to the balance sheet. If you could just help me with the breakup of the current liabilities numbers of 1006 crores in terms of creditors for goods and customer advances?
- Rajeev Dalmia** Customer advance is of two variety, one is the advance rental receipt and advance subscription receipt. If you add these two items, it is around 620 crores, balance is all normal credit.
- Rahul Bhangadia** Sir in the last one and half year we have seen this customer advances number go down from about 840 to 620 crores now, given that we have added customers over a period of time how do we understand this?
- Rajeev Dalmia** First of all as we grow old the set-top boxes which were installed before three years will not accrue any rental and secondly we are also writing off set -top boxes which are past due for more than 500 days. Thirdly we are collecting much lower than what we used to collect previously. We used to collect around Rs 1800- Rs 1900 on account of set-top boxes; today we are collecting only 600-700.
- Rahul Bhangadia** Are you suggesting that the rental income that you used to get, there was a big chunk which was pre-paid by the customers which is not happening right now?
- Rajeev Dalmia** Yea.

**Rahul Bhangadia** And second was the net subscribers as a percentage to the gross that has been now going down, do we take that as the increase in the churn or is there something else that we need to understand.

**Rajeev Dalmia** It is almost same as the last quarter, it is 1.1% per month as far as churn is concerned.

**Rahul Bhangadia** But in March the net customers were about 82% to the gross customers, now we are at 78%.

**Rajeev Dalmia** That is not the correct way of looking at it. You need to see the net churn number on a month on month basis; if it is within the manageable limit then we are trending on the right track.

**Rahul Bhangadia** My last question is on your balance sheet. It had a CWIP number of 458 crores as of March, could you give us the sense of what that number is?

**Rajeev Dalmia** That is the set-top boxes which are imported but not installed; it may be lying in my godown, with the distributor, with the dealer or with the CFA agent. The moment it is activated it will appear as fixed assets but as long as it is not activated, it will be CWIP.

**Rahul Bhangadia** So the entire 460 crores is set top boxes?

**Rajeev Dalmia** Yeah.

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

**Ashish Urganlawar** Sir just wanted to understand this forex item that has come in, what is it regarding exactly?

**Rajeev Dalmia** We have taken forex loans from various banks which is around Rs 700 crores. There was a loss on account of forex fluctuation between the last quarter and this quarter amounting to Rs 30 crores.

**Ashish Uppanlawar** Sir what is the cost of debt currently?

**Rajeev Dalmia** Cost of debt has slightly gone down because we have paid some rupee debt and borrowed in dollar. It will be around 9.5% today.

**Ashish Uppanlawar** That's it from my side, thank you.

**Moderator** Thank you. The next question is from Paresh Patel from Sandstone Capital. Please go ahead.

**Paresh Patel** Thank you for the opportunity sir. I had a few questions, some of them are every minor for example what was the entertainment tax this quarter and did you see any hikes in the entertainment taxes?

**Rajeev Dalmia** There was a marginal hike in September but we can't share the exact number.

**Paresh Patel** On the customer acquisition cost you reported Rs 2232 and the box subsidies must have gone down because you took a Rs 300 hike so the marketing and selling and distribution cost increased?

**Rajeev Dalmia** Selling and distribution stands at 390, marketing was 255 and balance is box subsidies.

**Paresh Patel** What's the steady state off-take of HD today?

**Venkatesh** HD is accounting for about 5% to 6% of monthly projections.

- Paresh Patel** And what is the churn in HD, is it more than your reported number or is it less?
- Venkateish** Churn is substantially lower because it is a new platform, so it will take time for churn to build up.
- Paresh Patel** There were some negotiations with some of the content guys during September towards the end, can you throw some light on what has happened on that side and over the next 2 to 3 years what is the trajectory of the content cost if you can share that information?
- Venkateish** There we have one renewal due for this year for which have made substantial progress in the negotiation, that is with Sony and we are close to locking up the deal. I am not in the position to share any details of that with you. As far as the trajectory of content cost is concerned nothing has changed from our previous guidance..
- Paresh Patel** And the nature of the contracts, it used to be a fixed sum and then you used to have these 12% to 15% bump-ups every year and you used to give a step function at the start of every year 1<sup>st</sup> Quarter and used to be pretty much constant through the year. Will the nature of that movement change?
- Venkateish** No we don't expect so.
- Jawahar Goel** That has become an industry practice actually.
- Paresh Patel** Couple of final questions. What was the renewal ARPU, what is the trend there and if you can just give some bigger strategic overview of what you think will happen post the ordinance especially in the DTH industry? Do you think people will get more aggressive in the DTH industry as such and or is the opportunity

big enough for everyone to just continue the kind of discipline that we have seen over the last one year to acquire incremental share, that's it from me, thank you.

**Venkatesh**

There are two parts of your question, one is regarding who will actually emerge as the winner in the race for acquisitions of those subscribers who have to move to digital and I answered that earlier, in terms of our position as far as DTH platform is concerned. As far as the ARPU is concerned, the overall industry ARPUs will face upward pressure because of the fact that what is basically an analog opaque, under-declared system is now being made transparent and therefore by virtue of that process the revenue sharing gets clarified. The taxes, entertainment tax, service tax, all become clarified and that have to be paid to the government. Then automatically along with the fact that the carriage fee component is going to reduce dramatically it will put financial pressure on both the MSOs as well as the cable operators to actually take those prices up to compensate for both the carriage fee as well as the taxes that they will now pay which they were not paying. Once cable starts moving their prices up the DTH industry will automatically stand to benefit.

**Paresh Patel**

Thank you very much sir.

**Moderator**

Thank you. The next question is from Deepan Shankar from HSBC Invest Direct. Please go ahead.

**Deepan Shankar**

In the face of this digitization, what do you think are the key competitive advantages you see of DTH over digital cable so that customers will come directly to DTH other than pricing factor?

- Venkateish** All the DTH companies are strong big brand names which are very well established on which more than 1000 crores of marketing investment has gone so customer preference as far as digital is concerned has been clearly shown, it's not that digital cable is not there, it is already there but the DTH industry has added 40 million subscribers while the digital cable only added 4 to 5 million.
- Rajeev Dalmia** Also high-definition capability is there with DTH operators.
- Deepan Shankar** So in terms of bandwidth you can offer more high-definition channels?
- Rajeev Dalmia** Dish TV has got a second satellite and capability of 40 high-definition channels.
- Deepan Shankar** Thank you sir.
- Moderator** Thank you. The next question is from Siddharth Goenka from JM Financial. Please go ahead.
- Siddharth Goenka** Good evening everyone and thanks for the opportunity. Sir wanted to understand the component of forex debt and domestic debt out of the 1200 crores of loans we have.
- Rajeev Dalmia** Around 760 crores is foreign and balance is domestic.
- Siddharth Goenka** That's it from my end I will comeback if I have more queries, thank you so much.
- Moderator** Thank you. The next question is from Vikas Mantri from ICICI Securities. Please go ahead.

- Vikas Mantri** Good afternoon sir and congratulations for good set of numbers, few book keeping questions. Is this forex loss M-to-M?
- Rajeev Dalmia** No, it is not. Total loss is 46 crores out of which 16 crores is capitalized and 30 crores is charged to the profit and loss account.
- Vikas Mantri** We were expecting box subsidy to reduce because we increased the entry price by 200.
- Rajeev Dalmia** We have accounted for it, it has gone up by 200, earlier we used to book 700 now we are doing 900 and the cost of box is 2500 as against 2350 and 2400 because of the increase in the price of dish and wire.
- Vikas Mantri** We are seeing an increase rather than a decrease which we should have seen?
- Rajeev Dalmia** Yeah increase is also due to the depreciation of rupee which we paid partly not fully, disc price moves in tandem with the steel prices.
- Vikas Mantri** Two more questions on the strategic side, on what has happened in the Tamil Nadu market after the 30% announcement of entertainment tax and how do we see that market going and what is the impact for us and one in terms of HD when do we actually become the true HD or asli HD?
- Venkatesh** As far as the Tamil Nadu market is concerned, it is a small market for us, it has been primarily a market dominated by a regional player and therefore the impact for us is marginal. As far as true HD is concerned, we already are true HD with 43 channels. We meet all the specification of the US NTSC standard board as far as



what high-definition telecast should be. Any high-definition telecast which meets the standard of higher than 440 line resolution is termed scientifically as HD as per the standards. So we are telecasting at 1080, so this true HD and asli HD is more of a marketing gimmick by our competitors who don't have the bandwidth to be in those channels, I don't think we need to fall for that.

**Vikas Mantri** Is the 30% tax rule applicable now in Chennai, in Tamil Nadu or is yet due?

**Venkatesh** It has been notified.

**Vikas Mantri** Thanks sir all the best for the coming two quarters.

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

**Amit Kumar** Thank you so much sir. First of all I just wanted to understand looking at your balance sheet, your loan funds have gone up by about 130 crores this is versus March 11 numbers. So I just wanted to understand what is essentially driving this because given the fact that especially in the 1<sup>st</sup> Quarter you already had a fairly significant inventory of STBs as well, there would not be very significant negative free cash flow in the company?

**Rajeev Dalmia** We have replaced some high cost rupee debt with dollar debt and because of that adjustment an additional loan of 150 crores is taken but towards the end of year I think we will be lower than March 2011.

- Amit Kumar** That is one point, the other point actually relates to the distribution expenses, it was mentioned during the call that some of these 18 crores expenses would be reversed. It will be entirely reversed in the 3<sup>rd</sup> Quarter, why would it be a partial reversal?
- Rajeev Dalmia** Reversal will be around 14-15 crores, balance may be pertaining to this quarter.
- Amit Kumar** How should we look at this entire 18 crores number, is it some sort of additional expense or some sort of scheme or is this normal expense only?
- Venkateish** No it's a pre-booking of the expenses; our shipments were substantially higher than the activations. The commission accrue on shipments and not on activations as far as our P&L is concerned and therefore the commission gets pre-booked.
- Amit Kumar** Last point of this foreign debt of 750 crores, how much of this is hedged and what will be your hedging policy going forward?
- Rajeev Dalmia** All debts which are falling due in the next one-year are hedged and the balance is un-hedged so far.
- Amit Kumar** So what will be that amount right now?
- Rajeev Dalmia** Around 65 crores.
- Amit Kumar** Thank you so much.
- Moderator** Thank you. The next question is from Sumit Rohra from Silver Stalin. Please go ahead.

**Sumit Rohra** Sir firstly I would like to wish all the team and Dish TV a very happy Diwali, just a couple of things which actually have already been answered. The selling and distribution expense basically includes 18 crores expense, so if you adjust for that, technically it is safe to assume that we are very close to PAT on the numbers?

**Rajeev Dalmia** We are targeting that.

**Sumit Rohra** I must say it is very heartening to see that adjusted for the expenses of 14 crores we have done EBITDA of 135 crores, which is 20% growth quarter-over-quarter. so extremely heartening and wish you all the best and good luck for the future.

**Moderator** Thank you. The next question is from Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal** Good evening, couple of questions, if the sunset clause becomes applicable and there is a competition where most of the guys start giving free set-top boxes or free connection. Is Dish TV having a mindset of going that way? Second in lieu of rising subscriber acquisition cost, do you think the target which you had set for free cash flow positive by this year-end would get extended by another 1-1.5 years and third on the write-off of the boxes beyond 500 days, if you can give us an amount last quarter it was 5.5 crores.

**Rajeev Dalmia** The write-off was Rs. 6.75 crores.

**Venkatesh** I know a lot of MSOs have been going around and talking about giving free set-top boxes but there is something called economics also which has to be actually worked out. But being a responsible business I do not think we can build a business model by throwing

away hardware free, you need to have a buy-in of the customer. If you give a set-top box free into the house the next cable operator can also come and swap that box for free.

**Pankaj Tibrewal** Second question on free cash if Mr. Dalmia can help me out, we were looking at 4<sup>th</sup> Quarter to 1<sup>st</sup> Quarter next year turning free cash positive.

**Rajeev Dalmia** We are not changing any of the guidance or whatever has been said earlier.

**Pankaj Tibrewal** Can you help us understand, are we going to see that 0.8%-0.9% churn rate back or one needs to be satisfied with the higher churn rate which is at 1.1%.

**Venkatesh** No we do not see any significant uptick in the churn rate, at the same time we do not see any dramatic reduction either, so we expect it to be holding around 1% which is what we had always targeted internally, we were able to achieve about 0.8%-0.9% even though we had a 1% target internally, marginally moved up to 1.1 but we should be able to hold it around 1%.

**Pankaj Tibrewal** Thank you very much.

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

**Beram Gazdar** Good evening thank you for the opportunity. My question would be on a total net subscriber base of 9.1 million, how many would be active HD subscribers and what would be your target for next two years?

- Venkateish** We do not break out the specific numbers for HD and SD. However, we have shared that out of the monthly acquisition about 5% to 6% are HD.
- Beram Gazdar** Thank you very much.
- Moderator** Thank you. The next question is from Bijal Shah from IIFL. Please go ahead.
- Bijal Shah** Thanks for the call. My first question is on ARPU; we took price increase in end of April or beginning of May and should have seen the impact partly in 1Q of FY 12 and partly in 2Q. However, when I look at the ARPU both the quarters ARPU has remained flat vis-à-vis 4<sup>th</sup> Quarter of FY11. So just wanted to understand have you seen significant amount of down-grading in existing subscriber base due to which we are seeing the ARPU remaining flat for two quarters despite a price hike?
- Venkateish** No the ARPUs have not remained flat in fact the average ARPU for the quarter was 152 and our exit ARPU was 154.
- Bijal Shah** How do we see in terms of recharge pattern, are we seeing accelerated up-trading vis-à-vis what we had seen last year or probably it is stable or it is going down or rather if you can give me just break down of recharge how much is in the mid-pack or low-pack or higher end of pack?
- Jawahar Goel** Actually, you are seeking competitive information which can be misused by our competitors. But if you are so interested we can have a discussion offline.

**Bijal Shah**

Yeah sure, thanks a lot. Lastly on subscriber acquisition cost, just wanted to understand the impact of price hikes if I consider 999 scheme we have moved to 1399. So have we seen Rs 400 kind of an increase in acquiring a subscriber at other places like probably marketing side or set-top box cost, it looks very high to me, I would have expected some reduction in the subscriber acquisition cost.

**Rajeev Dalmia**

First of all it has not gone up by Rs 400; we still have a scheme in the festival season which is 1290, 1390 and 1190. It has gone up but it has gone up by an average of 200 and our subsidy on hardware account has gone down by 200. But there was an increase in marketing and selling and distribution cost which has led to the increase in SAC.

**Bijal Shah**

Thanks a lot.

**Moderator**

Thank you. The next question is from Pratish Krishnan from Bank of America. Please go ahead.

**Pratish Krishnan**

I just want to ask on this new scheme that has launched the Gold-pack scheme, may be a trend in terms of what has been the success of the schemes and typically where is it positioned, which part of the consumer segment do you plan to migrate out?

**Venkateish**

Earlier we had three price points basically a basic level of price point which is around 165-175 and second Gold-Tier which was at 225 and current one the Platinum-Tier at 350. Now between 225 and 350 the guy who were to up-trade from 225 had to go straight up to 350 and we found that was a barrier in moving people up from 225 therefore we produced this pack at 275 and it gives an

incentive for the Gold-pack to move up so that is an ARPU driving strategy that we had.

**Pratish Krishnan** Should we expect the full impact of this kind of flow through maybe a quarter down the line?

**Venkatesh** No it is a little longer than one quarter this whole thing of moving subscribers is a slow process; you don't get any magical solutions in a short time.

**Pratish Krishnan** Thank you so much.

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

**Hiren Dasani** Just couple of questions. This forex loan is in which currency?

**Rajeev Dalmia** USD

**Hiren Dasani** I am just wondering what incentive government has to implement or enforce mandatory digitalization.

**Rajeev Dalmia** They are looking for taxes, they are looking for addressability, they are looking for improved quality of content, differentiated content, education based content for which all these steps have been taken.

**Hiren Dasani** Thank you.

**Moderator** Thank you. The next question is from Devendra Singhal from Kotak Mutual Fund. Please go ahead.

**Devendra Singhal** Good evening sir, my question is basically if you look at historical the 3<sup>rd</sup> Quarter has been over 36% to 40% of subscriber adds. Now

if you have to skip same trend do you think we will be doing similar number for this quarter also?

**Venkateish** We will have to see how the overall festive season uptake is because traditionally the festive season has been of a certain buoyancy level but this year it is slightly muted compared to other years. So we will have to see how that plays out.

**Devendra Singhal** Thank you so much, all the best to you.

**Moderator** Thank you. Ladies and gentlemen due to time constraint we will take one last question from Rajesh Sharma from HSBC. Please go ahead.

**Rajesh Sharma** I have just two questions, if you can help us understand competitive intensity in the DTH space, basically given that news about Reliance being keen to sell their DTH business, Videocon is facing capacity constraint and Bharti has got some issues with satellite orientation. Is the competitive intensity anywhere reduced for your or it remains the same and second as you said that with digitization, the cable industry will take time but are we saying that it is just about availability of funding and they can catch up, maybe not from a one year perspective but from a two-year perspective?

**Venkateish** Competition has always been quite intense. I do not see any increase or decrease in the level of competitive intensity as far as DTH is concerned. Secondly, as far as cable is concerned, it is not only a question of seeding set-top boxes rather it is about creating an entire ecosystem to service the customer. Once you have customers moving from a non-addressable system to an addressable system the whole ecosystem has to come into place to service the



guy. Now this whole thing is something that the DTH industry is very familiar with, understands, and has executed on it for the last 4 to 5 years. I haven't yet even contemplated what it takes to manage a large subscriber base on an individual base. So this is going to be something where if at all cable companies are to make anything they will have to move up a steep learning curve.

**Rajesh Sharma**

But sir is there a next level for the DTH industry as such where it can move by the time the cable industry tries to catch up the DTH sector in terms of platforms, interactive mediums and the service infrastructure.

**Venkateish**

We already are there with high definition and we will be there with value-added services as well as the next level of technology. They have not offered us any credible competition anywhere, they have been around for longer than the DTH industry but we have added 40 million digital homes, they have barely 5 million.

**Rajesh Sharma**

But the very fact that most of the markets are more about local channels and be it the Eastern market or be the South market, do you think in these two zones the cable TV after a catch up will be better placed because of the ability to provide lot of local channels and given that the DTH sector as a whole faces capacity issue and may not be on an equal footing in terms of the local channels or regional channels?

**Venkateish**

Not at all because at this point of time if you are talking about analog cable then any which way they don't have capacity. Now first the analog has to get converted to digital, secondly as far as regional channels are concerned the DTH sector is already offering, and is cognizant of the fact that we need to offer language

offerings. For example our platform has close to 19 Tamil channels and close to about 18 Bengali channels. All the channels which are available and are relevant are available so I don't think that's a big issue.

**Jawahar Goel** Theoretically digital cable can have more bandwidth to pump-in channels compared to DTH, but there is a conflict between the pay broadcasters, free-to-air broadcaster, MSO's, the distributors as well as their LCOs. So unless the industry sits together and sorts it out theoretical things cannot become practical.

**Rajesh Sharma** Thank you very much.

**Moderator** Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the conference 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](http://www.dishtv.in). We look forward to speak to you again at the end of the 3<sup>rd</sup> Quarter of fiscal 2012 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.*