# Q3 2012 Earnings Call - Hathway Cables & Datacom Dt-13 Feb'12

## Operator

Ladies and gentlemen, good day and welcome to the Q3 FY12 Earnings Conference Call for Hathway Cables & Datacom hosted by B&K Securities. 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. I would now like to hand the conference over to Mr. Rohit Dokania. Thank you. And over to you, sir.

## Rohit Dokania

Thank you, Shyama. Good afternoon to everyone. We would like to welcome you all to the 3Q FY12 earnings conference call of Hathway Cable & Datacom. We have with us the senior management of Hathway, represented by Mr. Jayaraman, the MD and CEO; Mr. Subramanian, the CFO; Mr. Mahadevan, the EVP Finance, and other senior members.

We will begin the call with a commentary by the management and then move into the Q&A. Over to you sir, Mr. Jayaraman.

## K. Jayaraman, Managing Director and Chief Executive Officer

Good afternoon everybody. I would now briefly state the highlights of our Q3 performance as well as YTD December 2011. On a consolidated basis, now we report the standalone plus our economic share of the JV EBITDA.
Now that for Q1 was 29 crores, for Q2 it was 33 crores and Q1 it was 35 crores. And for YTD our cumulative consolidated EBITDA, based on only our economic share is 97 crores. So we are basically seeing a traction from 29 in Q1 to 35 in Q3, representing a compounding jump of almost about 20% from Q1 to Q2.

So the monthly run rate of consolidated EBITDA with our economic interest which in Q1 was 9.7 crore per month is currently standing at about 11.7 crores, representing almost a 2 crore jump, which is about 20 odd percent I think. That is the sequential growth that we have been having.

Now coming to the standalone performance, as against Q2 revenue of 128.5 crores, our Q3 standalone revenue was 127.7 crores or roughly 128 crores. There has been a marginal dip because of some one-time revenue booking in Hyderabad other than that it would have been almost same.

The EBITDA on a standalone basis improved from 21.8 crore in Q2 to about 23 crores in Q3. Overall EBITDA after considering other income, from 24 crore it's about 25 crores basically. We have had on the standalone some extra on account of depreciation and interest, depreciation being, we have to take some one-time hit on our Tamil Nadu operations which came in -- which will continue till about Q4, but in Q3, it was about 2.8 crores and then some other miscellaneous depreciation on account of merger of our Gwalior JV operations into 100% Hathway.

So totally we are about 2.8 crore which really somewhat of one-time which has coming totally. We also had about almost 4 crores on interest account which was mainly due to foreign currency fluctuation in Q3, the differential on account of the exchange rate and the interest rate which is as per accounting standard. Normally our interest would have been in the region of about over 8 crores per quarter which stands at 12 crores, it is because of the foreign currency fluctuation.

Other than that in terms of significant other highlights have been that our incremental digital seeding of boxes in the current year for the nine month period is about 4.3, almost about 4.5 lakhs, I would say, touching about 4.5 lakhs, crystals of the incremental in FY12. We have seen a 27% of Mumbai in the DAS area, proposed DAS area, and 18% in Delhi.

In our cable paying subscribers which in Q1 was 18.2 lakhs has almost touched about 19 lakhs, which was 1.8 million in Q1 is almost 1.9 million in Q3, cumulative paying subscribers of cable. And the total revenue generating unit which is the total of cable subscribers plus the broadband subscribers has touched 2.3 million at the end of Q3.

So, when you really compare the total revenue or interfrom comparison, when we compare the Hathway with DEN and WWIL, we take the total revenue, take the total revenue generating unit, and we take the ARPU based on the universe. We have an universe of about 8.9 million. DEN has an universe of about 11 million, and WWIL has an universe of about 8 million. Our ARPU for the entire universe would be Rs. 93 per month per subscriber as against that DEN would be 48 and WWIL would be 35.

Coming to the Internet or the broadband business. Broadband business have shown substantial growth in revenue and EBITDA in the current year as compared to previous year. For the similar period last year as compared to this year, our revenues are up by 16%, and EBITDA at somewhere 36%. Total broadband revenue YTD December was 109 crores and EBITDA was 36 crore. So, we are well on our way to reach the 35% - 36% increase in EBITDA as compared to FY11 and about 15% -16% growth in revenue.

Our operating cash flow for the nine month period was about 45 crores. Debt equity stood at 0.31, the debt was about 245 crores, just lease of about 20 crores, total is about 265 crores. The cash on hand was about 70 crores, so net debt would be about 175 crores.

And as regards Digital Addressable System, we have already ordered about 1.8 million set-top boxes, out of that definitely, -- have opened for 1.3 million, another 0.5 million probably in a month or two we will hit into definitive letter of credit because we hope to see it about 1.8 million in Mumbai and Delhi.

With regard to Calcutta where we hope to see it another 400,000 to 500,000 which should be taken care by our subsidiary, GTPL. So, all-in-all, a total set-top box we hope to see it would be about 2.2 million, out of that Hathway would place orders for about 1.8 million. Our subsidiary GTPL would place for about 400,000. So that broadly summarizes the broad financial and the quantitative parameters.

Now I would like to invite questions from investors and analysts.

# Questions And Answers

## Operator

Thank you very much. We will now begin the question-and-answer session. [Operator Instructions]. We have the first question from the line of Mr. Abneesh Roy from Edelweiss. Please go ahead.

## Abneesh Roy

Sir, thanks for the opportunity. My first question is on the digitization. Currently, we are feed at around 27% in Bombay and 18% in Delhi. If we see DEN is getting very aggressive in terms of advertising, we have seen Tata Sky and Dish also of the -- in terms of advertising. When do -- what's our plan in terms of ads, in terms of feeding when do we plan to go or allow, will we wait for June 30th and only then step up in terms of our efforts?

## K. Jayaraman, Managing Director and Chief Executive Officer

See the voluntary digital that Hathway has achieved is the highest as compared to any of the peers basically. It is they were to do in much more earlier advertising, as with the Hathway is concerned we have earmarked about 20 crores to 25 crores as our advertising budget for that. I was only waiting for the task force we've seem to get over.

The third task force meeting got over last week, and we have more definitive okay from the government that there will not be any further discussion on any date beyond June 30th. That has been amply made clear which many of you would have seen even into business line which was clarified by the Government of India.

Now my other peers who have not started any digitilisation program would have to start because for them it was like seeding first time. But 27% and 18% which we have the figure of Bombay and Delhi are substantial figures. So for us, we don't need to educate as much as the others would need to.

Our -- we have creatives and other stuff ready. It's only a question of me starting probably somewhere in Feb end because by then you would have TRAI consultation paper, we would have had one more meeting of government and we have set everything.

However, even with our advertisement because we have started our voluntary digitilisation two years back, both in Delhi and Mumbai, we really don't see that one month, the advantage which one of my competitor have could have any significance basically.

In fact, we would have conserved that much more money, and it would -- more money would be needed towards June, Abneesh, so we really go and hit hammer and tongs vis-à-vis the DTH.

## Abneesh Roy

And would you be using largely the local media because that's the right way to go?

## K. Jayaraman, Managing Director and Chief Executive Officer

We will be using no doubt the channels -- our own channels plus some news channels would have to be used although it is a spillover newspapers basically centering around circulations in Mumbai.

## Abneesh Roy

Sir, we have seen the TRAI thing getting delayed, how important is it in the scheme of things why is the delay happening, government has made the right noises last week, but my question is TRAI thing is still very important. So your thought process on that?

## K. Jayaraman, Managing Director and Chief Executive Officer

TRAI is delayed because there was -- this was going to be tariff order amendment, covering Phase I, Phase II and Phase III. So they wanted to wait for many more people across India to come out with their comments. And so far I think 89 comments have come on the TRAI website. I wanted to wait because it is going to be tariff comprising Phase I, Phase II and Phase III.

Now that they have had and I think, although I do not know, but I think they were busy on some other industry and other matters.

## Abneesh Roy

Correct.

## K. Jayaraman, Managing Director and Chief Executive Officer

I think surely we are expecting a call from TRAI anytime now for the open house. So I think before Feb end it should be done. As per the time lines that we have drawn and given to MIB. TRAI should be out with this interconnect before Feb end, which I think the Internet is only on two issues, one is between the MSO and the cable operator, what is going to be the revolution and -- these are two main things that really comes in.

So, anyway I mean, we have gone ahead and offered the cable operator what we have. We don't see any substantial difference between that and what TRAI will do.

## Abneesh Roy

Sir, my second question is on the JVs, we have seen Gwalior getting merged. So is there any more JVs in plan which will get merged with the main company? Second is your Gujarat, GTPL is getting more aggressive in the Eastern India. So, if you could give us more color as to who runs the company and what are the synergies we have? Is it joint sourcing? Is it joint deals we are doing with broadcasters?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah I think wherever possible, we do joint although the markets are different.

## Abneesh Roy

Yes.

## K. Jayaraman, Managing Director and Chief Executive Officer

That market is sufficiently different from Maharashtra market as compared to the market in South where we have or as compared to Delhi. So, each markets have their own ways. But -- like for example in Calcutta where Hathway is not here.

## Abneesh Roy

Yes.

## K. Jayaraman, Managing Director and Chief Executive Officer

Where we chose to expand because there is an opportunity to increase the market share when that happens essentially. So, we don't see any major consolidation of or buyout of any JVs in the near future. Gwalior was relatively a small, it is 15 lacks, 20 lacks per month revenue annually 3 crores revenue. So some small, small things may happen, but otherwise I don't see anything of the size of GTPL merging soon.

## Abneesh Roy

Sir my last question is, do you expect price wars to happen between say DTH players and you in your markets? Your price anywhere is currently lower, but do you see a price war happening, DTH players getting aggressive, I've seen the TATA ad, they are tom-toming now below 1,000 again, wanted to check on that?

## K. Jayaraman, Managing Director and Chief Executive Officer

No our price is 790 to the consumers, 750 to 790 to the consumers with a volume discount or incentive to the cable operators to put the boxes. So our price is about 790 including service tax.

In some markets it is between 750 to 790. So we are still below the DTH price. Now some DTH people may want to come even below the current Rs. 1,000 price that one has to really see at what point they can come. I may not rule out now, but right now there are at Rs. 1,000.

And their SAC is also widening as you can see that some of the DTH companies in Q3, the SAC has widened really on account of rupee-dollar and other costs going up. So, one has to see how much they can do, because it's not going to be economically viable to them to keep matching because their SAC would include other cost which we don't have to incur because we have already a cable and we know of that product. So, it is only going to worsen for them the price that is not going to help them.

## Abneesh Roy

Okay. Okay sir. Thanks. All the best, sir.

## Operator

Thank you. Excuse me, Mr. Jayaraman. Mr. Jayaraman, if you can just come a bit closer to the microphone because in between your sounding distance.

## K. Jayaraman, Managing Director and Chief Executive Officer

Okay.

## Operator

Thank you. We have the next question from the line of Mr. Arjun Khanna from Principal Mutual Fund. Please go ahead.

## Arjun Khanna

Sure, sir. Thank you for taking my question. My first question is in terms of the DAS implementation, assuming it does go forward from 1st of June. What are the penalty for non-compliance?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah. At the moment they have not indicated any penalty because that old licensing and other things will have to be done which is a formality. We're not aware whether they have done any penalty but to the extent I know in CAS area, the penalty is typically are both criminal and civil basically, in essence that if you give a set-top -- if you give a signal without a set-top box, then it is like a piracy.

## Arjun Khanna

Sure, sir.

## K. Jayaraman, Managing Director and Chief Executive Officer

It would also mean piracy would also mean action under the Indian Penal Code.

## Arjun Khanna

Sir, just to understand sir, assuming...

## K. Jayaraman, Managing Director and Chief Executive Officer

We haven't fixed any monetary limit in the cable TV as per rule I've really not seen, except procedure of equipment and filing an FIR. I won't really put any significant monitory amount that I think.

## Arjun Khanna

Sure. Sir, is that something that would be coming out of this consultation paper or how would that complaints aspect be addressed going forward?

## K. Jayaraman, Managing Director and Chief Executive Officer

It will not come in the consultation paper.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

The consultation paper talks only about tariffs.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

This whole thing will come in cable TV rules.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Which I think the government will issue out in a week or so, by end of the month, at least they will do the cable TV rule. But I don't think they have prescribed or going to prescribe any significant monitory penalty.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Technically these are like piracy.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Because you distribute signal without authorization. So, these will tend amount to criminal violation.

## Arjun Khanna

Sure. My second question is in terms of carriage. Could you give us a sense of what would be the carriage fee for the Phase I say from Mumbai, Chennai, Delhi, Kolkata as a whole for the industry and if possible for you?

## K. Jayaraman, Managing Director and Chief Executive Officer

Normally we don't give out the carriage fees in conference call.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

But Bombay, Delhi, Calcutta would have something like about rough idea of carriage was about what 700 crores, 750 crores would be the carries.

## Arjun Khanna

So this for markets itself.

## K. Jayaraman, Managing Director and Chief Executive Officer

For the three cities...

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Would be about 700 crores to 750 crores.

## Arjun Khanna

Sure. And how do you see this actually changing posted digitization coming through?

## K. Jayaraman, Managing Director and Chief Executive Officer

700 crores, 750 crores these are all mainstream channel.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Not all the channels are sprouted in Calcutta.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Not to aware because we are not having significant presence there, but 700 crores, 750 crores should be a decent figure.

## Arjun Khanna

No, no. Do you see this come down drastically post digitization?

## K. Jayaraman, Managing Director and Chief Executive Officer

Post digitization yes, I think obviously subscription revenues in all these places, the declaration is even 10% to 15% which means subscription revenue will go up six times.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

So we will see some decrease in basement and carriage revenues. However, because we will have more number of channels in digital anywhere between 300 to 400 channels. So, whatever drop will happen we hopefully, we will be able to recoup, because we will have further more supply of number of channels. Today in analog, we have 109 channels going almost up to 860 megahertz.

## Arjun Khanna

Right.

## K. Jayaraman, Managing Director and Chief Executive Officer

750 megahertz to 860 megahertz. But when we go in digital scenarios, there is a potential to even telecast anywhere between 300 to 400 channels. So what we may loose on per unit basis, we maybe able to recover somewhat when we have that many more supply basically.

## Arjun Khanna

Sure. Thank you.

## K. Jayaraman, Managing Director and Chief Executive Officer

There will be some dip in the analog carriage revenue...

## Arjun Khanna

Yes.

## K. Jayaraman, Managing Director and Chief Executive Officer

Investment revenue.

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

Which I think can somewhat be compensated when you add 100 odd channels in this system to almost 400 channels.

## Arjun Khanna

Sure, sure. Just lastly in terms of quantum of fall, sir. Are we talking in the range of say 50% to 80% fall, any ballpark sense?

## K. Jayaraman, Managing Director and Chief Executive Officer

I think you can take six times growth in subscription revenue

## Arjun Khanna

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

And a 50% drop in carriage revenue.

## Arjun Khanna

Sure, thank you.

## Operator

Thank you. We have the next question from the line of Mr. Chetan Vadia from JHP Securities. Please go ahead.

## Analyst

Hello?

## K. Jayaraman, Managing Director and Chief Executive Officer

Hello.

## Analyst

Sir my first question is as we have said in the last con-call what will be the total CapEx for Hathway for Phase I and Phase II in terms of set-top boxes net of subsidy?

## K. Jayaraman, Managing Director and Chief Executive Officer

What is the total CapEx?

## Analyst

Yeah

## K. Jayaraman, Managing Director and Chief Executive Officer

I think on set-top box account, it will be about 550 crores.

## Analyst

550 crores. This is for Phase I and Phase II?

## K. Jayaraman, Managing Director and Chief Executive Officer

Rs. 1,000 so the subsidy performance.

## Corporate Participant

It is on a consolidated basis.

## K. Jayaraman, Managing Director and Chief Executive Officer

On a consolidated basis.

## Analyst

This is on a consolidated basis. And this is only for Phase I and Phase II, right?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yes, Phase I and Phase II.

## Analyst

And have you calculated for all the four phases what would be the CapEx for you?

## Corporate Participant

About 85% of our subscribers will come in Phase I and Phase II. We have not at this point of time, applied our mind to Phase III and Phase IV because a lot of them will be Tier III and rural rollouts. So that will require some math. At this point of time, it is not immediately relevant to us.

## Analyst

Okay and sir my second question is that, by June, all the -- subscriber will move on to -- so what will be your impact on your top-line and bottom-line in FY12 and '13? Hello?

## Corporate Participant

Actually normally we don't give forward-looking guidance on our numbers. But as Mr. Jayaraman had stated. Typically subscription revenues which pertains to Mumbai and Delhi would grow by about six to seven times.

## Analyst

Okay.

## Corporate Participant

So, if you take a million subscribers as the benchmark, you're talking of revenues going up from about 29 crores to about 192 crores, order of increase. But like he said carriage and placement will decline by about 50%. So, that would typically in a large city like Mumbai or Delhi the markets would typically command about 50 crores to 55 crores per million subscribers. So, you should see a drop of about 27.5 crores as far as those numbers are concerned. So net-net you will find that the total revenue is going up by about 2.5 times the current revenues. So 150% jump in revenues.

## Analyst

2.5 times, okay. And sir my last question, on the broader level like as we see the more and more of the tablet PC and the smartphones being sold and 4G is coming up by end of this year. So, how do you see the Hathway meeting the competition with them?

## K. Jayaraman, Managing Director and Chief Executive Officer

No, I think as far as 4G is concerned that is going to be on the broadband side, where you need the wireless CP and the wireless modems. I still think large majority of people will continue to watch television in the current way which is linear television.

And there are many people who have a PC at home who would continue to avail the broadband services. So, I don't think that 4G will at any stage compete with linear television given the universe and the distribution of TV sets and others and things. So 4G is really going to be expensive as far as the consumer is concerned.

## Analyst

Okay, I take that. That's it from my side. Thank you.

## Operator

Thank you. We have the next question from the line of Mr. Vivekanand Subrahaman from MF Global. Please go ahead.

## Vivekanand Subrahaman

Hello, thank you very much for taking my questions. My query was when, during the opening remarks, Mr. Jayaraman and you had mentioned about the reach, ARPU on the entire reach for us as well as our competitors. So industry wide, what would be the effective ARPU for the entire 90 million cable universe? That's number one.

And the second question is on, I noticed that the run rate of subscriber are voluntary digitisation is now say 60,000 households per month. Now typically you would need to see it 1.5 million more incremental households in Phase I. Is that understanding correct? And if so, how confident are you in accelerating your run rate of adding voluntary digital homes? Thank you.

## G. Subramanian, Chief Financial Officer

Industry ARPU is I'm only giving you the MSO's ARPU.

## Vivekanand Subrahaman

Right.

## G. Subramanian, Chief Financial Officer

As we given the level of 100 acceleration in India anybody would be 40, 45. Hathway is far superior because it has got more last mile also in this network and also we have broadband. And so per customer we are able to read more ARPU per month. It is all about the business model. But typically if you are MSO with wholesale business, you would be in the region of about 35 to 40 basically.

## Vivekanand Subrahaman

Okay.

## G. Subramanian, Chief Financial Officer

For the industry. I am not going about the consumer what is he paying? The consumer pay be anywhere between 150 to 200 depending on today. But we are here talking about MSOs, right. So, that should be about 40, 45 for anybody.

## Vivekanand Subrahaman

Okay.

## G. Subramanian, Chief Financial Officer

Hathway is far superior because we have other -- our line of business and the stream of revenues are far superior. Now, regarding SPV setting of 1.5 million, yes the beginning has been slow in this. Obviously because various notifications and various concerns -- for various quarters. But typically I think the government or the TRAI, once it comes out with the consultation and the tariff order, the speed should pickup. And I can say that all our cable operators have already started seeding, 5%, 10%, 20% in their homes. So, average you can see in Mumbai it's 27%, we have reached. And in Delhi we have reached almost 17%, 18%.

So every cable operator has 15%, 20% of the network seeded. So, it is only a question of ramping up of which the revenue share and other details like QAS are awaited. So, I think TRAI is, once it comes out by end of February, these two aspects, we should see faster roll-out. Because unlike the DTH box which takes couple of hours or even more to install and then successfully activated, a typical cable box should not take more than about 15 minutes in the customer premises. I think we will see more as the tariff order and other issues are clear.

## Vivekanand Subrahaman

So you would say that, roll-out won't happen at a much faster pace as we head closer to June, is it? Or should we expect an improvement happening in Q4 itself?

## G. Subramanian, Chief Financial Officer

Well, there are two, three things that is still remaining Vivek, which is one is the cable TV rules which is very important to the cable operator industry. Second is the tariff order in the QAS. These three have remained so which I think in the next 15 days government, TRAI and all of us would -- we'll be able to sort it out. And anyway 20% seeding has happened with every cable operator.

## Vivekanand Subrahaman

Right.

## G. Subramanian, Chief Financial Officer

As we have concerned. Normally, people are waiting and watching as to how this is happening. So I think you will see more traction end of February, March, April, May and June. So that is how it will pan-out. But however the installations for cable box is only a 15 minute activity.

## Vivekanand Subrahaman

Okay. Okay. And sir, one last question on our working capital position, how would that stand right now?

## G. Subramanian, Chief Financial Officer

Working capital means what exactly?

## Vivekanand Subrahaman

I mean...

## G. Subramanian, Chief Financial Officer

Loans are about 245 crores.

## Vivekanand Subrahaman

Okay.

## G. Subramanian, Chief Financial Officer

And the 20 crores of lease but do you want working capital facility or what exactly you...

## Vivekanand Subrahaman

Yes, I was looking at the working capital facility and our net working capital, right?

## G. Subramanian, Chief Financial Officer

One minute.

## Vivekanand Subrahaman

Yeah.

## G. Subramanian, Chief Financial Officer

Just hold on Vivek.

## Vivekanand Subrahaman

Yes

## G. Subramanian, Chief Financial Officer

Standalone -- the net current assets as of, on a standalone basis would be about 125 crores.

## Vivekanand Subrahaman

Okay.

## G. Subramanian, Chief Financial Officer

We do not had any significant cash credit facilities, we have just drawn about 20 crores as of 31st of December. That is more to maintain immediate liquidity. But we don't rely too much upon short-term facilities. Most of our funding is required for set-top boxes and infrastructure and that has been tied up through long-term loans or vendor financing, vendor financing is typically 18 months door-to-door.

## Vivekanand Subrahaman

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

And typically what we try and do is, we take out the vendor financing by way of an ECB that is what we are planning to do and that would be door-to-door nearly five years average.

## Vivekanand Subrahaman

Okay, okay. Thank you.

## Operator

Thank you. We have the next question from the line of Mr. Ashish from Spark Capital. Please go ahead.

## Ashish Upganlawar

Yeah. Sir against the 99 odd crores of EBITDA that you have mentioned in the press release probably for consolidated. What was the corresponding number for last nine months FY11?

## K. Jayaraman, Managing Director and Chief Executive Officer

That number was 29 crores for Q1.

## Ashish Upganlawar

Yeah.

## K. Jayaraman, Managing Director and Chief Executive Officer

33 crores for Q2 and 35 crores for Q3.

## Ashish Upganlawar

Yeah. So total of about 97 odd crores, right?

## K. Jayaraman, Managing Director and Chief Executive Officer

29, 33, 35.

## Ashish Upganlawar

Yeah. I'm asking about if nine month FY12 was whatever 97 crores, 98 crores. What was the corresponding figure for nine month FY11 corresponding figure?

## K. Jayaraman, Managing Director and Chief Executive Officer

I'll give that, at the moment I don't have because we started reporting economic interest from current year, just we'll have to rework that. So, Mahesh can give you.

## Ashish Upganlawar

Because I had number of about 130 odd crores is the last year. Is it correct or is it something different?

## K. Jayaraman, Managing Director and Chief Executive Officer

Not economic interest.

## Ashish Upganlawar

Yeah. Okay fine I'll take it later. Sir, on the...

## K. Jayaraman, Managing Director and Chief Executive Officer

FY12 we have started reporting with economic interest.

## Ashish Upganlawar

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

FY11 was on a gross basis, so I think our colleague Mahesh can give it to you offline later.

## Ashish Upganlawar

Sure, sure sir.

## K. Jayaraman, Managing Director and Chief Executive Officer

130 crores does not exclude minority interest.

## Ashish Upganlawar

Okay okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

It has to excluded.

## Ashish Upganlawar

Fine sir. Sir on -- cost just wanted to understand, because I think item has increased more than 20 odd percent Y-o-Y. So, how do you see this going ahead year-on-year?

## K. Jayaraman, Managing Director and Chief Executive Officer

Actually if you see between Q2 to Q3, the increase is hardly about a crore of rupees, if you really see.

## Ashish Upganlawar

Sir year-on-year number.

## K. Jayaraman, Managing Director and Chief Executive Officer

Year-on-year which period you tell me year-on-year?

## Ashish Upganlawar

Yeah, this current quarter, the numbers that we have reported.

## K. Jayaraman, Managing Director and Chief Executive Officer

You are talking nine month period or the quarter?

## Ashish Upganlawar

For the quarter, it's about 35.5 crores against 29.5 crores. So...

## K. Jayaraman, Managing Director and Chief Executive Officer

I think what has happened is that some amount of Viacom-18, actually the Viacom-18 deal we have concluded in the current year basically. So, that Viacom-18 deal comprises of increase in pay channel, it is also simultaneously in the placement and carries revenue.

On both sides, it has come, which anyway will be positive to us. While you will see some pay channel costs going up, we haven't segregated and given you the placement, but it will be net positive to us, that is one. And secondly, we have made some extra provisioning for Media Pro, for the current year FY12 basically.

## Ashish Upganlawar

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

While Viacom would be only set-off basically net positive to us, whereas the Media Pro, we have made some extra provisioning.

## Ashish Upganlawar

Okay, okay. But this would increase by this kind of quantum...

## K. Jayaraman, Managing Director and Chief Executive Officer

No, no it will not increase by this, only Viacom which is -- the picture. Because it is one-time, the last year.

## Ashish Upganlawar

Okay. Sir one the digitise base you said about 1.9 million as the number that...

## K. Jayaraman, Managing Director and Chief Executive Officer

See it is actually a set-off, Viacom we would be actually net positive if we take it on a standalone basis.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

So you can see versus what we pay it would be positive to us.

## Ashish Upganlawar

Sure. Sir next question on the digitised base I think you said a number of about 1.9 million, right? Currently.

## K. Jayaraman, Managing Director and Chief Executive Officer

As on December our paying subscribers, yeah almost 1.9 million.

## Ashish Upganlawar

This is paying subscriber number?

## K. Jayaraman, Managing Director and Chief Executive Officer

...and the subsidiaries as a whole.

## Ashish Upganlawar

Okay. And what is the digital subscriber number?

## K. Jayaraman, Managing Director and Chief Executive Officer

It was 1.8 million in Q1.

## Ashish Upganlawar

Sir, this is paying subscribers or digital subscribers ?

## K. Jayaraman, Managing Director and Chief Executive Officer

Paying subscribers.

## Ashish Upganlawar

Okay. I needed a number of digital subscribers in the universe, out of 8.9 million how much...

## K. Jayaraman, Managing Director and Chief Executive Officer

Digital also we have almost 1.9 million.

## Ashish Upganlawar

Okay. It's the same number.

## K. Jayaraman, Managing Director and Chief Executive Officer

End of December.

## Ashish Upganlawar

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Although there is no relevance to it. It just a coincidence, it's 1.9 million.

## Ashish Upganlawar

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

-- is 2.3 million, that is why we say, 1.9 million of cable and about 400,000 of ISP, 2.3 million.

## Ashish Upganlawar

Sir, the digital subscriber incidentally is 1.9 million?

## K. Jayaraman, Managing Director and Chief Executive Officer

Right.

## Ashish Upganlawar

Okay. Sir in Mumbai, Delhi if I am correct, last time you have mentioned about 1.5 million, 1.6 million to be the target set of subscribers need to be digitised by Phase I end. Is that correct?

## K. Jayaraman, Managing Director and Chief Executive Officer

Correct.

## Ashish Upganlawar

Yeah sir. So, currently how much of it would be -- because this seems to be pretty low say 22% - 23% of...

## K. Jayaraman, Managing Director and Chief Executive Officer

We have done about 27% in Mumbai and about 18% in Delhi based on universe. So I think what we have to -- we would have done almost about 350,000 in Mumbai and Delhi all put together, roughly about 350,000 in the proposed DAS areas.

## Ashish Upganlawar

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

And another 1.5 billion to 1.6 billion at the least will be --.

## Ashish Upganlawar

Okay. But, how do you see this panning out because the time left is about 4 months, 5 months now for the Phase I implementation to happen...

## K. Jayaraman, Managing Director and Chief Executive Officer

AS we're seeing while the time left is only, roughly about 4 months now, two months is over, it's about 4 months now. Couple of issues like the tariff orders have gone back again to try and the Qos and the cable TV, three issues are pending with the government, TRAI and industries. So I think we have arrived at some common agenda there with the industry.

So hopefully I think once by end of the month, the TRAI and the industry and the MIB will finish off the tariff quarter and rules. Thereafter, I think we should see this rights. And we really don't see as much time taking because typically a DTH take four to five hour, our installation takes about 15 minutes total. Once a person reaches a home, it takes only 15 minutes to put in boxes.

Awareness has been created amongst cable operator and the subscribers. So every day we have seen boxes only going up. It's only the two or three contingent issues which have remained should get now completed. We have remain same, it is a challenge. There is no doubt that four months remaining and 1.5 million boxes to report is challenge. But I think our infrastructure and our system as far as Hathway is concerned is far readies than the other industry players.

## Ashish Upganlawar

Okay. Okay. But sir, you will need to up your run-rate from what 50,000 boxes now to say maybe 4 lakhs - 5 lakh boxes a month. So, is that doable and what is the hindrance? I mean exactly is it revenue sharing with LCO that is keeping you back or other things, any other --?

## K. Jayaraman, Managing Director and Chief Executive Officer

Earlier the government said that -- TRAI's said that the revenue sharing is on market pauses. But now TRAI may consider a view on that. So, to that extent the cable operators have slowed down a bit.

## Ashish Upganlawar

Okay. Okay. But that would be mandatory to each and every MSO and LCO for that sharing, is it or it's going to be a reference thing?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah. If the TRAI chooses not to enforce that and say, it is still market forces, finally the world would be out then, and then we will start sailing the boat.

## Ashish Upganlawar

Sir but in that case, do you think that this would be further delayed rather June date maybe September or?

## K. Jayaraman, Managing Director and Chief Executive Officer

I think the time in the first week task force meeting, the government, they said there will be no delay.

## Ashish Upganlawar

Okay, okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

In the six meeting also they have clarified that there will not be a single day delay.

## Ashish Upganlawar

Okay, okay. Sir, lastly on the funding I just wanted to understand the whole thing. Are we -- there were some buyers credit that was available probably to us and we were going for that. So now how is the entire funding going to happen just an update on that?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, one minute. I'll give it to the GS.

## G. Subramanian, Chief Financial Officer

Actually what we have done is we have already negotiated 18 months under credit. It is payable every quarter in six quarterly installments.

## Ashish Upganlawar

Okay.

## G. Subramanian, Chief Financial Officer

So that is priced very, very finely because the credit facilities are the vendor, and in our case it is primarily NDS. To the extent that we have procured boxes on Cisco that will be on a lease model from Cisco leased over a period of five years.

## Ashish Upganlawar

Okay.

## G. Subramanian, Chief Financial Officer

And we are in the process of concluding a takeout financing for that quarterly payout to NDS which will be in the from of an ECB. We hope to be able to tie this down by middle of March and then we will extent the credit period beyond the quarterly take out I mean quarterly installment to about five years average provisions. So, that's the plan.

## Ashish Upganlawar

Okay. Sir, I didn't understand this one. In Cisco, you're leasing the...

## G. Subramanian, Chief Financial Officer

For Cisco is concerned we leased the -- it's a very small proportion.

## Ashish Upganlawar

Okay.

## G. Subramanian, Chief Financial Officer

Because for the sake of de-risking our business model, we don't depend on only one vender have Cisco is supplying a very small quantity, that extent of that small quantity we have this financing tied up with Cisco already. As far as NDS is concerned which is our major supplier.

## Ashish Upganlawar

Okay.

## G. Subramanian, Chief Financial Officer

We have 18 month credit payable quarterly in six quarter installments And price at about LIBOR plus but all in cost prior to hedging is about 3.5%. And, the make out of that will be through an ECB facility which we are in the process of tying up, we hope to tie it up by middle of March.

## Ashish Upganlawar

So overall cost would be say about 5.5% to 6%?

## K. Jayaraman, Managing Director and Chief Executive Officer

No. It will be more. If you -- we choose to be very conservative and hedge the full exposure than we would be talking about 9% to 10%.

## Ashish Upganlawar

Right. Okay. 9% to 10%.

## K. Jayaraman, Managing Director and Chief Executive Officer

But, that is a commercial call that, or a risk call that we'll have to take from time-to-time. It's not necessary that we will have to hedge 100% of that. But, given the current volatility of the rupee we may choose to be conservative at this point.

## Ashish Upganlawar

So the hedging cost is about 6%, 6.5%

## K. Jayaraman, Managing Director and Chief Executive Officer

Unfortunately at this moment yes. But, in the long run we expect it to stabilise down at about 4% or so, 4% to 5%.

## Ashish Upganlawar

Okay. Fine sir, I will come back with more questions if I have any. Thank you.

## Operator

Thank you. We have the next question from the line of Mr. Nainesh Rajani from Tata Mutual Fund. Please go ahead.

## Analyst

Good afternoon sir. I have got couple of questions. Actually the first in that you mentioned that your -- would come down and obviously the subscription revenues would increase. Just wanted to understand the kind of impact the cost would -- your EBITDA would have on account of the increase in cost that you might have shell out to the broadcasters. Some more light a bit on that or that's more to do with the agreement, TRAI agreement and the pricing mechanism that would come out later?

## K. Jayaraman, Managing Director and Chief Executive Officer

No the amount payable to the broadcasters would be at a gross margin level, it won't affect the EBITDA. Suppose if Rs. 100 were going to be the ARPU from the subscribers net of taxes.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Let's say 35% would go to the broadcaster, 35% would go to the cable operator, 30%, 35% would remain with the MSO. That is the entire -- the half of the set top box and the infrastructure and things like that.

## Analyst

Okay

## K. Jayaraman, Managing Director and Chief Executive Officer

When I arrive at gross margin, already I have my -- cost out

## Analyst

Okay

## K. Jayaraman, Managing Director and Chief Executive Officer

Like the current regime of -- we have currently a situation, we will have delta margin, gross margin on account of increased subscription revenue but correspondingly reduced by some drop in the carriage fees.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

So my current fixed cost assuming remains the same, it would only go up because the consequential gross margin growing up on account of subscriber base is far higher than the drop in the carriage fees.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Even when I am calculating, arriving at the gross margin already the content cost is excluded because that is a variable cost.

## Analyst

Okay. Fair enough. Second thing just wanted to understand in terms of how would you plan to ramp up and compete with players with the DTH industry because the kind of after sales services that let's say DTH operator would have would be slightly more sophisticated than what a normal cable operator would be having at this point of time and how do we plan to ramp up that because after sales services can be a tipping point of consumers to actually move to DTH compared to a cable operators. So, how is it that you plan to focus on that?

## K. Jayaraman, Managing Director and Chief Executive Officer

I figure after sales service, we will have a call center which will be outsourced basically with respect to billing queries and packaging. It will be a -- it can be a city specific common or it could be common across the cities. But it's more likely to be city specific because we'll have Delhi separate. And all this could be outsourced to professional outsourcing call center companies, who would handle the customer billing query packaging, package changing and stuff like that.

As regards any technical issues are concerned, once the customer calls the call center, call center would escalate for technical to the local networks, basically. So all this would have to -- will be and will be handled only by outsourced call center.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Currently, as is been handled by us for our broadband business or even the DTH cases being handled.

## Analyst

How much can be the incremental cost that you would have to spend on the yearly basis on this kind of operating cost?

## K. Jayaraman, Managing Director and Chief Executive Officer

We have taken about Rs. 10 per subscriber per month would be the additional variable cost which is already taken into account in our business quarter.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

We are taking Rs. 10 per sub, per customer.

## Analyst

Okay. Fair enough, that's all from my end. Thanks sir and all the very best.

## Operator

Thank you. We have the next question from the line of Mr. Mayur Gathani from OHM Group. Please go ahead.

## Mayur Gathani

Hi, good afternoon everyone. Sir, regarding the write-backs, the headset we're taking for the Tamil Nadu, what amount is still left? You just mentioned in your intro that quarter four also we could see some hedge?

## G. Subramanian, Chief Financial Officer

Two crores.

## Mayur Gathani

Two crores was left, okay. And sir, what are your broadband margins? Are we sustaining at that levels?

## G. Subramanian, Chief Financial Officer

Currently broadband margin for FY11 was bout 26 odd percent, currently it is 35%.

## Mayur Gathani

Okay. Sir, regarding that open-house discussion with TRAI, is there any discussion that they also keep the broadcaster rates over here, the channel rates? Or that's not part of this?

## G. Subramanian, Chief Financial Officer

That is not part of this. Broadcaster rate is already -- that is what, it is already out there. I don't think they will do anything also. See, for the free channels are concerned, nothing will be done.

## Mayur Gathani

Okay. So, that is open net, there is no fixed appreciation. I'm not talking about this 42% sharing, sir, I am talking about the debt. The -- in the cash time, you have paid Rs. 10 or Rs. 5 something of that kind.

## K. Jayaraman, Managing Director and Chief Executive Officer

No, no, no. That is all -- in that that is what which is left to market forces now.

## Mayur Gathani

Left to market forces. Okay, excellent. And sir, in the ground level, how is the feedback on the local cable guys I mean how you are interacting with them and how is this been so far without TRAI coming up and giving you a figure that okay this put the sharing. Currently, what is the status?

## K. Jayaraman, Managing Director and Chief Executive Officer

That's for Mumbai, we have done 27% seeding and 18% seeding which I think compares to what --. There are many guys who are also seeding their boxes faster. And in some India, it is slow because the revenue share with the cable operator what we have shared with them is about 30%, 35%. Now, they are expecting that you try interfere is might be different but you cannot be because already you have 40% with the broadcaster. So, what we have left which is about 60%, 60%, 65%. Even if I do a fixed deal with the broadcaster.

So even if TRAI were to give it, it could give about 30%, 32%. So there I'm not going to get much about it. I think once TRAI comes out with the conclusive figure, I think then the writing is on the wall for the cable operator. And government has made it very clear in the three task force meetings so far had including the last one on February -- that there will not be any expansion and they are not going to be changing their thing if there is going to be a black out of something. Because they are very clear that, there is alternate service provider. So we expect that once TRAI comes out clearly either way on the revenue share and Qos and also the cable rule. This pick-up should happen in March-April.

## Mayur Gathani

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Device. And it will happen to the cable operators, now I'm very clearly know that, they have to put the set-up boxes to sustain that listeners. It's only that the revenue share will be decided either way by end of the month.

## Mayur Gathani

Okay. And sir, I'll just get back to the -- not that you mentioned in Rs. 92 per month ARPU for Hathway and 48 for DEN. So the difference is only because we are more of a broadband player as well that is why?

## K. Jayaraman, Managing Director and Chief Executive Officer

In broadband we have more direct subscribers and so therefore, our quality of revenues are better. I'm talking as regards revenue generating --.

## Mayur Gathani

Yeah. But what is, because I mean the consumer does not pay Rs. 92.

## Corporate Participant

This is because of not only in broadband, well it is also because of cable revenue is so much -- we have much more last mile own subscribers than other company.

## Mayur Gathani

Yeah. But I just want to understand what does Rs. 93 refers to sir?

## Corporate Participant

Refers to total revenue divided by total revenue per month divided by the total units.

## Mayur Gathani

Okay, total unit versus, so you take around 8 million, 8 plus points.

## Corporate Participant

For example if my total revenue is x and my universe is 8.9 million, it is total monthly revenue divided by the unit --

## Mayur Gathani

Okay, okay.

## G. Subramanian, Chief Financial Officer

If it is then there will be -- or same in the case

## Mayur Gathani

Yeah got it.

## G. Subramanian, Chief Financial Officer

Our revenue is 8.9 million and their revenue was 11 million, 12 million. So it will be different.

## Mayur Gathani

Okay

## G. Subramanian, Chief Financial Officer

Our revenues are -- our month revenues are much higher obviously because we have more broadband and direct subscribers.

## Mayur Gathani

Okay. And sir, your JV with GTPL Gujarat Telelinks, I mean are they still being very aggressive with the acquisitions I mean they have done a few in the Eastern region?

## Corporate Participant

I think at the moment now even if you see they had given one interview recently the JV partners, I think right now we are completing almost all the acquisitions by giving the final payment. We will not see any substantial acquisition outside of Gujarat. But there are some acquisitions within Gujarat that is pending where final payments have to be given. Like in the last quarter, we had announced the final acquisition -- acquisition in Porbandar.

## Mayur Gathani

Right.

## K. Jayaraman, Managing Director and Chief Executive Officer

Things left in Bhavnagar and other areas which I think in the next six months we will complete. But outside of Gujarat, we will not see any substantial expansion because they will also then get ready for their phase of digitilisation which happens in 2013.

## Mayur Gathani

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Closely the interview that our JV partner had given to, in television, we will not see anything substantial outside. Whatever we desire, something completed within the year.

## Mayur Gathani

Okay. Thank you very much and all the very best, sir.

## Operator

Thank you. [Operator Instructions]. Also each participant is restricted upto only two questions. If you have more questions, kindly come back to the question queue. We have the next question from the line of Mr. Riken Gopani from Infina Finance. Please go ahead.

## Analyst

Hello, hello Can you hear me sir?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yes I can hear you?

## Analyst

Sir firstly wanted to understand after launching the HD services if you could throw some light as to what kind of numbers have we gained over there? And do we have sufficient capacity now for the first Phase?

## K. Jayaraman, Managing Director and Chief Executive Officer

HD services we have now reached about 3,200 to 3,500 it might be. We are doing this more as a combo with our broadband.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Also in our direct subscribers. So, I think we have now given about one unlock frequency for the HD frequency and we hope to add about another seven or eight HD channels making it about 15 or 16. So, which would mean another one more frequency to be given which once we sign up with the other seven or eight HD channels we would have. So we would have sufficient capacity for about 15, 16 channels before that.

## Analyst

All right. And, nearing the date of digitisation would you be having a lot of, or have you ordered more set-top boxes for HD as well, because I think Phase I would or may be Bombay, Delhi would have more HD potential I mean, what's the sense there?

## K. Jayaraman, Managing Director and Chief Executive Officer

We have considered some estimate and we have ordered them over a period of time it will come. I don't see that, it will go anywhere beyond the 3 -- very optimistically maybe about 3,000 to 5,000 a month even in that, you're right that once that happens it will pick up more.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

So I think that would be in the region of 3,000 to 5,000 a month. So to that extent we have ordered.

## Analyst

All right. And, sir also if you could throw some light as to, now that we have started implementing or proceeding in the boxes. What kind of opportunity are we seeing on the second TV and so on? What's that in addition to the 1.8 million that we would like to add is that a large potential?

## K. Jayaraman, Managing Director and Chief Executive Officer

See in average we are looking between Mumbai and Delhi about 15%, basically we will see some churn to DTH and then we will get some more on multiple TV, so in our own estimate we think 15% would churn to DTH and 15% would be compensated -- that is the basic minimum that we think we will have.

## Analyst

Okay and this churn you think at max it would be 15% is it?

## K. Jayaraman, Managing Director and Chief Executive Officer

15 and gain 15, so net-net for this it could be like...

## Analyst

Okay, okay. And sir, just wanted to recheck on this you were saying, in Bombay Mr. Jayaraman had earlier mentioned I think in the last con-call or something, we have reached something like 40% what would be the number now on roll out for digitisation there?

## K. Jayaraman, Managing Director and Chief Executive Officer

No no no. That is basically including the existing CAS area.

## Analyst

Okay okay, okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

CAS area already has about 2 lakh. I am only talking about year we have reached 27% actually. But if we really take the South Bombay area, then it would be about 40%. Yes, that will also get converted to there, so that's automatic. All free-to-air will then go to the boxes. Automatically if we had the two lakh subscribers here, we will reach 40%. I don't have to put anything more there. It is converted to pay.

## Analyst

Correct. And we said that we are waiting for this TRAI order on the tariff just wanted to understand so the LCO in the current scheme of things is what is his point for not doing it right now and what is it that you are waiting for to come out from this TRAI order?

## K. Jayaraman, Managing Director and Chief Executive Officer

It's not actually tariff, it is revenue share, what is waiting for, tariff is already there. It is based on...

## Analyst

Okay. So the LCO is currently still not in a mood to agree your negotiations, and therefore, you are waiting for. Is it the right way to...?

## K. Jayaraman, Managing Director and Chief Executive Officer

LCOs themselves had put forward to TRAI that instead of market forces, can it be considered in fixed by the TRAI.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Of which TRAI is in the consultation papers out in which many of it left to market forces, many of it should be fixed by the TRAI. I think TRAI will now decide finally after the open-house. Now already there was vision that it could be based on market forces under the DAS tariff order. It was many guys have LCO was the one to TRAI instead is whether they have fixed, they have taken it up. If TRAI comes out either way after that the matter in relation to that is finished now.

## Analyst

Correct, correct.

## K. Jayaraman, Managing Director and Chief Executive Officer

The fact is that we have also not offered anything to them. We have offered them a 35% revenue share rupees of ARPU.

## Analyst

All right.

## K. Jayaraman, Managing Director and Chief Executive Officer

That revenue share and I don't think TRAI can come out anything more.

## Analyst

Correct, correct. Thank you. That's it.

## Operator

Thank you. We have the next question from the line of Mr. Rohit Kala from Sunidhi Securities. Please go ahead.

## Analyst

Good afternoon, sir. Just wanted to understand onto your strategy and planning onto the STB management subscribers acquisition, customer management, billing and collection centers as to how much geared up are we once we entered into this Phase I to manage such all the back-end data and ID support systems?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah. As far the billing system is concerned, we have existing running billing system which is run for our CAS areas and also for our broadband areas, that's fairly well equipped -- question. That will be completely outsourced to specialized call center and the BPO's forward integrate their CRM with our -- and essentially we will see sending the complete billing package, truly the billing -- and sent to the cable operator. They will collect the money, give me the net amount after their margin is concerned.

Collection would still be done by them while billing would be generated by us. Same that we will not be able to go to every house and collect that is not -- cable operator still collect the money but entire billing generation would be done by us.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

This should be outsourced. Our back-end ready -- already may be for today 1 million subscribers, I have 400,000 broadband and about 200,000 - 300,000 CAS subscribers and the direct subscribers 1 million. But that billing system is more than sufficient to go up to 3 million, 4 million. And it will entirely be outsourced now.

## Analyst

Okay. And what would be the general incremental cost as you said that Rs. 10 would take care of it?

## K. Jayaraman, Managing Director and Chief Executive Officer

Rs. 10 per sub per month for a digital subscriber.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Putting of invoices and others...

## Analyst

Got your point. Sir, another thing just want to pay channel cost and so how do you see, it's -- we are seeing on a quarter-on-quarter increasing by around say 20% is as you said was a one-off on a Wacom. But going forward once more of a pay channels comes in, how do you see this cost going through? Hello?

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, yeah, yeah. I think pay channel cost if you see September 2011, if you look at the standalone it was 34.5 crores for Q2 and for Q3, it was 35.5, over a crore which is about 3% or so, 3% or 4% or so is what we have -- which has gone up, which largely is on account of Wacom and some other deals which we have a pending. But going forward, I think contracts are there with some of them for just one year or so till 2013. They are anywhere in the region between 5% to 10%. So, typically -- and analog redeem would increase to anywhere between 5% to 10% depending upon which broadcast it is.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Analog redeem. As far as the digital redeem is concerned, it is already a different model.

## Analyst

How would that be sir?

## K. Jayaraman, Managing Director and Chief Executive Officer

That revenue we are seeing 30% to 35% is -- 35% of subscription revenue as of time.

## Analyst

Okay. Got it, got it. Yeah. Thanks a lot.

## K. Jayaraman, Managing Director and Chief Executive Officer

All subscription revenue as of time.

## Analyst

Yeah. Sure. Thank you, sir. That's it from my side.

## Operator

Thank you. Next question is from the line of Mr. Shobhit Khare from Motilal Oswal Securities. Please go ahead.

## Shobhit Khare

Good afternoon sir. Thanks for the opportunity just a couple of questions. I might have missed this but how many set-top box you have in hand and how much you have ordered for the next two, three quarters. And second is, I mean with respect to funding, will we entirely depend on debt funding for our digitisation roll out or we might also need equity funding at some points?

## K. Jayaraman, Managing Director and Chief Executive Officer

We have ordered roughly about 1.8 billion set-top boxes, and all these should come in much before that kicks off. We anyway planned that we will at any point of time store half a million in our inventory that is how typically all major digital company store.

## Shobhit Khare

Okay

## K. Jayaraman, Managing Director and Chief Executive Officer

So we have that much in inventory and we think that about 2.2 million is what we will finally need for which we have made arrangements with the various vendors. And those all should definitely come much before the sunset date of June 30th. So, we have shipments which keep coming every week. And that is how, that is.

## Shobhit Khare

Sir, 0.5 million inventory we have and another 1.3 million we will get before June?

## K. Jayaraman, Managing Director and Chief Executive Officer

Point in time, we will have about 0.5 million because now Phase II will also kick in after Phase I.

## Shobhit Khare

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Also lot of customers who may not have put in the boxes from other service providers who also ask for -- really we will become like typical DTH company, where typically inventories are anywhere 0.5 million to 1 million.

## Shobhit Khare

So, 1.8 includes 0.5 million or excludes?

## K. Jayaraman, Managing Director and Chief Executive Officer

1.8 -- 0.5 is there in...

## Shobhit Khare

Okay fine.

## K. Jayaraman, Managing Director and Chief Executive Officer

1.3 will come.

## Shobhit Khare

Okay.

## G. Subramanian, Chief Financial Officer

And funding as was earlier mentioned by our CFO, we would essentially go in for vendor financing and later on substituted by buyers credit, essentially mean debt funding for Phase I.

## Shobhit Khare

For phase I. But, going ahead, would we require equity at some point let's say after one year?

## K. Jayaraman, Managing Director and Chief Executive Officer

This one I don't think we will need. But, for Phase II I think it will be still too early to comment on that. So -- because Phase II also anyways simultaneously set-top boxes are being installed.

## Shobhit Khare

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

I don't think we have taken any decision Phase II funding.

## Shobhit Khare

Okay sir. Thanks a lot. All the best.

## Operator

Thank you. Next question is from the line of Mr. Pratish Krishnan from Bank of America. Please go ahead.

## Pratish Krishnan

Yeah, hi. Thanks. Yeah, just on the interaction with the TRAI, I mean, what is the chance that they will probably end up regulating the tariff at the retail level?

## K. Jayaraman, Managing Director and Chief Executive Officer

At retail level no chance. That's already upheld by Supreme Court the tariff order. The tariff order is upheld by Supreme Court where they said it will be to market -- the only thing what Supreme Court said was 42%.

## Pratish Krishnan

Now I was referring to the retail level sir, I mean...

## K. Jayaraman, Managing Director and Chief Executive Officer

No it encompasses retail tariff there also. That one tariff for income tax is everything.

## Pratish Krishnan

Okay. But I believe the -- public call date as a part of the consultation now in terms of the retail level pricing.

## K. Jayaraman, Managing Director and Chief Executive Officer

...is essentially for free-to-air channels, if a customer only wants free-to-air channel, what does he pay basically. Not for pay channels.

## Pratish Krishnan

Okay, okay.

## G. Subramanian, Chief Financial Officer

There are customers, Pratish

## Pratish Krishnan

Yeah.

## K. Jayaraman, Managing Director and Chief Executive Officer

The tariff order if you read, say if customers should have a minimum price you should pay is Rs. 150, if he is going in for a pay channel basically.

## Pratish Krishnan

True.

## K. Jayaraman, Managing Director and Chief Executive Officer

For one pay channel say one BBC and then watch with some free-to-air. If a customer only want free-to-air to channel, assume a customer only want DD, Doordarshan channels, eight Doordarshan channel or 15 Doordarshan channels, then what is going to be the tariff that is what now -- is going to come out -- is not going to come with any tariff regulation where it is going to be a pay channel involved, all that is left to market.

## Pratish Krishnan

Understood. And second in terms of the CapEx of that 550 crore that is referred to. Is it possibly to look at some spread in terms of how much of that would be incurred by Hathway standalone and the subsidiary?

## K. Jayaraman, Managing Director and Chief Executive Officer

This largely is for standalone only. We have not taken GDPL very much in -- GDPL will incur only for that Calcutta Pratish, that's 400,000 boxes which -- what we are talking about 150 crores is only for us.

## Corporate Participant

No, he is talking of the 550.

## Pratish Krishnan

No, 550 crores.

## K. Jayaraman, Managing Director and Chief Executive Officer

You're talking about the 550. No, no sorry. If you're talking about the 550 crores then there will be subsidiaries also will incur. That breakup we will have to give it to you. Which we will give it to you -- day or two. We'll have to split that between standalone and JV. JV we will have to take our share.

## Pratish Krishnan

Okay. So the 550 need not necessarily be your cash outflow per se, I mean like...?

## K. Jayaraman, Managing Director and Chief Executive Officer

Not necessarily we mine.

## Pratish Krishnan

Okay. And when you kind of -- between you and the JV, I mean referring to mainly GTPL and the -- is there area demarcation, I mean is there a kind of region specific demarcation where like Hathway would like the expand or GTPL can probably expand?

## Corporate Participant

No, I think we can expand like for example, if we have to go -- and go even in -- area on our own, ideally in their own area of operation we don't -- in outside we have some mutual consulting to -- but suppose if we are in Gujarat then we don't go -- or we are Hyderabad or Bangalore then they don't come, where are already existing in operation then we don't, where, it's not a place where either a person there, then yes, we have a mutual stuff and then we decide how...

Like for example Calcutta we were not there, nor where they. I would decide that we may go to Calcutta. We didn't want to go because we had our hands full in Mumbai and Delhi and then the other Phase II.

## Pratish Krishnan

Okay fine. Thanks a lot.

## Operator

Thank you. Next question is from the line of Mr. Mithun Soni from GC Invest. Please go ahead.

## Analyst

Hello sir. Sir I have a question with respect to the, post digitisation, let's say if you are, as you said TRAI may not come up with any regulation for tariff for pay generals but then -- also will be the part of reality, how does Hathway bundle up these channels, so how do we account for the revenue per channel and when you say the revenue or the sharing to the broadcaster would be 35%, then how will we account for that, will that be really possible or the lump sum something what you may see as the reality which you continue lump sum for the pay channels cost?

## K. Jayaraman, Managing Director and Chief Executive Officer

Right, it will more be lump sum, actually it will be more lump sum. And there may be some channels which are niche channels which can go on a-la-carte basis. Mainly it will be on a lump sum basis only, because all Star bouquet or Media Pro bouquet or Viacom bouquet or even bouquet is all big bouquets. I think if you go by the bouquet-basis only the ARPUs will be better for us in the long run, you will see lump sum content cost.

## Analyst

But, do you see any regulations of that coming up or nothing like that, is something what TRAI is proposing?

## K. Jayaraman, Managing Director and Chief Executive Officer

No they have only said that an option should be given, available for a consumer to chose a particular channel for which now there is a reference interconnect rate which is given in the TRAI website.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

One particular person wants to take one channel from a bouquet, he can ask for retail tariff for that.

## Analyst

So, a channel, let's say a bouquet of let's say a Media Pro....

## K. Jayaraman, Managing Director and Chief Executive Officer

He would bouquet of Sony and than he will want one Star Movies, he can ask for Sony bouquet as a bouquet and he can ask for Star Movies as standalone.

## Analyst

And Star Movies can -- Star can price all their channels at a different price?

## K. Jayaraman, Managing Director and Chief Executive Officer

No there is a certain existing pricing norms that is there.

## Analyst

Currently it is...

## K. Jayaraman, Managing Director and Chief Executive Officer

So that cost is there. Than I add up my margin there to that and than give it to the customer. Suppose for example the RAO for Star Movies is Rs. 25, okay? That is there in the tariff, in the TRAI. I have to pay him for a Rs. 42, Rs. 25, Rs. 42 let's say Rs.15 for example.

So content cost to me is Rs. 15 a-la-carte. Than I will add whatever margin I choose to. Let's say add Rs. 15 as margin, I will give Rs. 30 per month extra for Star Movies. Plus whatever is the price of the bouquet for what he has taken, he may have taken say an -- bouquet.

## Analyst

Okay. So, logically speaking it is the bouquet which is going to -- because if it is going to be 25 then people are going to go for bouquets at the end of the day?

## K. Jayaraman, Managing Director and Chief Executive Officer

Okay. Normally in any...

## Analyst

And so in that scenario this 35% will be lump sum sort of content cost is going to worked out.

## K. Jayaraman, Managing Director and Chief Executive Officer

That's correct.

## Analyst

Right sir. The second question with respect to this Media Pro, you had also mentioned that you have made some provisioning, have you seen like any special, any major difference or in terms of the sort of any indication of their bargaining power, sort of getting -- changing or improving. And plus they have also mentioned that it will help even the MSOs to collect more money from the LCO. So, any sort of color on that, sir?

## K. Jayaraman, Managing Director and Chief Executive Officer

Media Pro is still evolving, it is just about six months old. It will be too early to comment on the Media Pro situation, because it is just happened after April, -- June -- operation -- set-up --.

## Analyst

Yeah. And that was after the contracts was signed.

## K. Jayaraman, Managing Director and Chief Executive Officer

So we have only been dealing with the Mediapro only from the Q2.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Q3. So the total is six months side is what we have understood them. So I think it will take some time to you all and see how Mediapro pans-out.

## Analyst

Okay. But sir, how do you see that as a development for the industry?

## K. Jayaraman, Managing Director and Chief Executive Officer

Well I think it is good that some kind of consolidation happens in that sense because you

have to deal with so many parties, instead they depend really on only one party.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

So you have to deal with -- you have to deal with Zee, you have to deal with Star and you have to deal with NDTV. Now we are dealing with only one party for that.

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

And as long as must probably it is in the tariff order and in TRAI, nobody can delay content unless we are outstanding. We don't have outstanding much provided the rules...

## Analyst

All right. Thank you. That's it from my side.

## Operator

Thank you. Next question is from the line of Mr. Harish Krishnan from Kotak Singapore. Please go ahead.

## Harish Krishnan

Hello sir. Sir, just one question I have. You had mentioned about that you have given close to about 35% kind of a revenue share to LCO, and there is a TRAI consultation paper. My question is, is this 35% only a one-time kind of a revenue share? How does that change say the next year for the same LCO for the same customer?

## Corporate Participant

No 35% is for the period of the contract. So we will do initially for one year. And so we will do it for the 35%. And later on based on how many first TVR, second TVC and the role we play, it will be revert. So 35% will be for the initial contract period.

## Harish Krishnan

Okay. But what is your expectation as to how it will trend down post the first year?

## Corporate Participant

See, we really think that various other services will come into play here, Harish like value at services et cetera for one year. Once the value at services come, one can expect that he'll earn a little more revenue on that and little less on the standard definition. I think 35...

## Harish Krishnan

That's true, but from the same basically we are talking about the same ARPU. We are saying if that goes up, the ARPU also would go up. But as a percentage of that ARPU, would this 35 come down materially in the next year onwards or would that -- would be closer to the same level?

## Corporate Participant

One can see how the bargaining power happens and then we can decide. All this for future to say today will be uncertain, Harish. We can say that if the initial contract is for one year and which is 35%. We are reasonably sure about that. After one year, may be 35 will become 36 or it will become 30, all depends upon how we do the mutual negotiation. What happened is that, -- after some period, VAS will emerged and then monetization will also improve for the cable operator from that.

You can get a little more there and we can reduce it here et cetera, because finally the cable operator see what amount he gets per month. Beyond one year, it maybe very difficult to now gets worth how what percentage it will be on the standard definition et cetera.

## Harish Krishnan

Right.

## Corporate Participant

But I think...

## Harish Krishnan

Thank you so much, sir.

## Corporate Participant

We will come and more opportunities for revenues will come. So at the end of it, we will also look at what is the total revenues and earnings. So, we'll be able to monitor it in a digital environment.

## Harish Krishnan

Okay, sir. Thank you.

## Operator

Thank you. Next question is from the line of Mr. Girish Raj from IFCI. Please go ahead.

## Girish Raj

Hi, sir. Thanks for the call. Just an exemption on the STB inventory question. Sorry, I missed on the number that, what is the current inventory STB on lying with us?

## Corporate Participant

We have about roughly 500k with us.

## Girish Raj

So, out of this 500k, what would be the inventory, STB inventory passed on to the LCOs as on date?

## Corporate Participant

Release them on a daily basis basically.

## Girish Raj

So, -- not.

## Corporate Participant

Hardly it would be less than 25,000, 30,000 may be in Bombay, that's how it went.

## Girish Raj

So, we are holding more that is what you're saying?

## Corporate Participant

No because they give the money and then they take whatever they require. That is how we -- it was. We don't have inventories with LCOs so much.

## Girish Raj

Okay. So, it's only 25,000 that you are on...

## K. Jayaraman, Managing Director and Chief Executive Officer

No your question was what is the inventory lying with LCOs.

## Girish Raj

Yes, out of 5 lakhs, 25,000 you must have. So...

## K. Jayaraman, Managing Director and Chief Executive Officer

So inventory will be about 20,000, 25,000.

## Girish Raj

Okay, thanks. And sir second question was on the broadband, since we will be busy with the digitisation over next six months. How do we see the broadband thing?

## K. Jayaraman, Managing Director and Chief Executive Officer

We have got the separate team for broadband sales. The business development and customer supporting is quite separate from in cable.

## Girish Raj

Okay

## K. Jayaraman, Managing Director and Chief Executive Officer

...team is divided between cable and broadband.

## Girish Raj

Okay, okay. Sir may I ask for some bookkeeping questions, on what was the broadband subscriber base and net addition during this quarter?

## K. Jayaraman, Managing Director and Chief Executive Officer

We had about 75,000 as gross addition for the nine months ending December 2011 for the current year.

## Girish Raj

No no, this quarter.

## K. Jayaraman, Managing Director and Chief Executive Officer

This quarter that was about 20,000. For Q3, it was 20,000. For the nine period it is, one minute, for the nine month period it was 75,000.

## Girish Raj

And the revenue?

## K. Jayaraman, Managing Director and Chief Executive Officer

For the quarter it was -- for Q1 it was 28, Q2 was 26, Q3 was 20.

## Girish Raj

Q1 was...?

## K. Jayaraman, Managing Director and Chief Executive Officer

28,000, Q2 was 26,000, Q3 was 20,000.

## Girish Raj

So, is this is a seasonal factor that is playing in third quarter 20,000 -- that is what my worry was actually.

## K. Jayaraman, Managing Director and Chief Executive Officer

Well depends upon, what is the pricing that I have versus the pricing that competitor has.

## Girish Raj

Okay. So, what was the revenue for this quarter sir, broadband?

## K. Jayaraman, Managing Director and Chief Executive Officer

Revenue for the quarter, Q3 -- broadband revenue for the quarter was 36.39 crores -- sorry, one minute. So our revenue was 33 crores, sorry.

## Girish Raj

Okay. Thank you, sir. That's all.

## Operator

Thank you. Next question is from the line of Mr. Nihar Shah from ENAM. Please go ahead.

## Analyst

Hello sir, most of my questions have been answered, just had couple of questions. One was I wanted to understand the nature of your contract with your cash provider which is -- Wanted to understand that in a digital scenario, how much would you have to pay them per digital subscriber and whether and it's an annuity based payment or is it a one-time payment?

## K. Jayaraman, Managing Director and Chief Executive Officer

What we have negotiated is one-time payment but however I will not be able to give you those...

## Analyst

Okay, but it's a one-time in nature, right so it's not a recurring.

## K. Jayaraman, Managing Director and Chief Executive Officer

Which is one-time and all annual maintenance contracts are taken care in that one-time payment upto 2,015 end for the...

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Including AMC plus one-time is what we have contracted.

## Analyst

Okay and your 550 crores of CapEx does it also include this one-time payment to...

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, yeah, set-top box -- CapEx all put together.

## Analyst

Okay. Okay, great. My second question was any sort of expectations on the timeline that how much time TRAI would take to finalise the -- to either decide on the LCO, MSO sharing or leave it to market force?

## K. Jayaraman, Managing Director and Chief Executive Officer

It was the timeline indicated it is I think...

## Analyst

By the end of this month.

## K. Jayaraman, Managing Director and Chief Executive Officer

Cable rules and...

## Analyst

Okay.

## K. Jayaraman, Managing Director and Chief Executive Officer

Another about 15 days to go.

## Analyst

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

So hopefully anytime we are expecting. Because I think, TRAI has got busy with some other things and than that other universal license has also come.

## Analyst

Sure.

## K. Jayaraman, Managing Director and Chief Executive Officer

We are quite -- but I think by month end we should get everything.

## Analyst

Okay. Perfect. Great. Thanks. And, best of luck with the digitisation process. Thank you.

## Operator

Thank you. Next question is from the line of Mr. Ashish from Spark Capital. Please go ahead.

## Ashish Upganlawar

Yeah sir. On broadband just wanted to understand. What was the net addition out of the 75,000 gross adds.

## K. Jayaraman, Managing Director and Chief Executive Officer

Net addition figure we don't share -- we give gross additions like telecom.

## Ashish Upganlawar

And revenues you said for nine months was?

## K. Jayaraman, Managing Director and Chief Executive Officer

On standalone basis, broadband was almost about 100 crores. And, on a -- we have to take GTPL also into account then it will be another 10 odd crores.

## Ashish Upganlawar

110 crores for nine months. Okay. And sir how is the ARPU panning out in broadband? Is it showing an uptick or?

## Corporate Participant

One SEC.

## Corporate Participant

One SEC, one SEC.

## Corporate Participant

Our revenues on a consolidated basis is 108 crores for nine months.

## Ashish Upganlawar

Okay, okay.

## Corporate Participant

And about almost 98 crores, 100 crores for standalone.

## Ashish Upganlawar

Okay, okay. Sir, your comment on the ARPU, how is the...

## Corporate Participant

308 which I told you we increased it by Rs. 20 in the current year. Opening was as now Rs. 20, Rs. 25 with ARPU.

## Ashish Upganlawar

Okay.

## Corporate Participant

Recently while the average ARPU is consolidated based on the revenue by the subscriber, but every incremental sale we are now doing is about Rs. 375. We have some legacy clients who are below 300 or so. And that is why it is about 300 as compared to 280 or so it used to be earlier.

## Ashish Upganlawar

Okay, okay. But what is the initial cost in case of the new broadband connection, this modem and other stuff that you would be providing, it is similar to the cable model that we operate there, right?

## Corporate Participant

No, there is no cable -- cable model means, sorry, I didn't understand.

## Ashish Upganlawar

The set-top boxes have taken or to the...

## Corporate Participant

In the case of cable modem, we give partial subsidy which is recovered in the form of rental or recovered in the form of the ARPU itself because it directly want the subscriber here.

## Ashish Upganlawar

Okay.

## Corporate Participant

They're charging Rs. 400 to the consumer or let's say 150 -- that's all.

## Ashish Upganlawar

And how do you see the traction in the subscriber additions going ahead may be in the next one year? And what is the reason for that?

## Corporate Participant

We have -- compared to last year, we have seen 16% growth in revenue, correct?

## Ashish Upganlawar

Yeah.

## Corporate Participant

Compared to FY11, first nine months in this year FY12 if you see 16% growth in revenue and 35% growth in EBITDA.

## Ashish Upganlawar

Okay.

## Corporate Participant

That kind of a traction we should see. We have also spend much less in CapEx than compared to previous year, because all the CapEx that we incurred in FY11 got spilled over in the current year, the home passed because actually these are not really perishable effect. So, when a photo wire, it can be used for the next two to three years. Our CapEx also substantially are down. If you really see we have spend FY11 50 crores or so of CapEx on broadband, we would be spending about 25 crores or so CapEx in current FY12, although revenue has increased 16% in current year, the 35% increase in EBITDA.

## Ashish Upganlawar

Okay. Sir, what is the existing subscriber base in broadband?

## Corporate Participant

400,000.

## Ashish Upganlawar

Okay.

## Corporate Participant

Homes passed are about 1.7 - 1.8.

## Ashish Upganlawar

Okay. Fine sir. Thanks a lot.

## Operator

Thank you. We have the last question from the line of Mr. Chetan Vadia from JHP Securities. Please go ahead.

## Chetan Vadia

Hello sir. Sir, can you hear me?

## Operator

Excuse me, Mr. Jayaraman.

## K. Jayaraman, Managing Director and Chief Executive Officer

Yeah.

## Operator

Okay. I have the next question from the line of Mr. Chetan Vadia.

## Chetan Vadia

Yes sir. Sir, in December presentation with -- you mentioned about the opportunities for you in terms of video on demand, localized content and interactive services as the DTS players are offering right now. Sir, any headway into that area as to when you will be start offering all of it?

## Corporate Participant

See, video on demand will require bandwidth or analog carrier. So, that happen only after DAS is implemented Mumbai and Delhi and Calcutta. So, we are talking to some specialized vendors for this video on demand. And no doubt that we will be taking opportunity of the bandwidth availability which is superior in -- than in DTH. So, we are talking to couple of international vendors on various business model. And there is something that will not happen exactly on June 30th, it may take some more time, a quarter or so more. Because we need to have those analog carriers and frequencies.
We have done some technical evaluation on that now and the financial evaluation is now underway. So hopefully, once one quarter of DAS score by then we would be ready with that. Now that the technical evaluation is there, only the financial evaluation.

Surely we'll introduce the product, and I would also add here that our set-top boxes that we have are capable of one way video on demand, our one way impulse video on demand. So the capability is already build in into the chip basically.

## Chetan Vadia

But the localized content and the interactive services?

## Corporate Participant

Interactive, we are at the moment not planning, because interactive would push the set-top box cost and other thing. As regard local content, we are already generating the local content. And all that local content would be added into the digital stream.

For example, even now suppose if I produce a local content for Mulund and Thane, it is already there in Mulund and Thane. Already it is added in the voluntary digital. So I am producing the local content for Ghatkopar, already there. So local content would definitely be key factor and that would form part of the free-to-air.

## Chetan Vadia

Okay, sir. I'll take that

## K. Jayaraman, Managing Director and Chief Executive Officer

... any digital subscribers.

## Chetan Vadia

Okay, sir I'll take that. That's it from my side. Thank you.

## Operator

Thank you. As that was the last question from the participant, I would now like to hand the conference over to Mr. Rohit Dokania for the closing comments.

## Rohit Dokania

Yeah, hi and thank you Shyama, sir would you want to make any closing remarks?

## K. Jayaraman, Managing Director and Chief Executive Officer

I think we have quite, on the way to experimenting and executing this digital addressable and confident about the -- and therefore unless something extraordinary happens we really see June 30th as the set date for Mumbai, Delhi and Calcutta and therefore we see a huge opportunity for companies like us which are already established in the digital voluntary side.

And also the fact that we have a strong broadband presence in Mumbai, so we would be able to bundle broadband with digital services quite unlike DTS companies which would not be possible to.

Actually in Mumbai, we would be able to have much better product to our consumers because of the bundled broadband and standard definition digital offer. So we are well equipped to execute the same in terms of financial availability, set-top box availability, technology integration so on and so forth which Rohit you know that may other...

I think we are quite on the way barring the fact that TRAI has to come out with the notification either way. Afterwards we will really see much traction. We really don't see any legal interference or court interference in any of this matter.

## Rohit Dokania

Sure sure. Thank you very much sir. Thank you very much to the management for taking time out for this call. Also very thank you for the participants' for taking call on this call.

## K. Jayaraman, Managing Director and Chief Executive Officer

Thank you very much.

## Rohit Dokania

Thanks everyone.

## Operator

Thanking all on behalf of B&K Securities, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.