Hathway Cable Y 2012 Earnings Call 14 May'12

Operator

Ladies and gentlemen, good day and welcome to the Q4 FY'12 Earnings Conference Call for Hathway Cable & Datacom hosted by B&K Securities. As a reminder for the duration of this conference 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. Please note that the duration of the conference call will be 60 minutes. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rohit Dokania of B&K Securities. Thank you and over to you sir.

Rohit Dokania

Thank you, Farah and good afternoon everyone. We at B&K Securities are pleased to hold the 4Q FY12 results conference call of Hathway Cable and Datacom Limited. We have with us the senior management team of Hathway represented by Mr. K. Jayaraman the MD and CEO, Mr. G Subramanian, the CFO, Mr. Mahadevan, the EVP of Finance along with other senior members of the team. We will begin the call with a short commentary by Mr. Jayaraman on the results and may be on digitization if he wants to touch upon that and then we'll move into the Q&A session.

Over to you sir.

G. Subramanian, Chief Financial Officer

Ladies and gentlemen actually this is G. Subrahmanian here, I will sort of quickly give you a snapshot of the financial performance of the company for the year ended FY12 and then thereafter Mr. Jayaraman will join us on the business issue through a Q&A with all of you.

We started -- we finished the year with about 514 crores of turnover on a standalone basis. It compares with 474 crores in the previous year, about 9% growth. Of the total turnover about 75% of the topline was brought in by CATV and about 25% of the turnover was brought in by broadband business. Both the businesses saw growth, CATV grew by about 7% and broadband topline grew by about 13% over the previous year. As far as costs were concerned, we were at 427 crores, it compares with 384 crores. Due to some rationalization measures that the company took last year and also outsourcing some of the key capabilities that were inside the company.

Our employee cost actually declined by about 8%, it came in at about 38 crores that compares to about 42 crores in the previous year. Pay channel cost were at about 144 crores, that compares with about 120 crores. Primarily on the back of some annualization of cost, certain of the contracts that were entered into FY'11 where in the fag end of that financial year. The full impact of that increase was felt in the current year. The balance of the increase was normal increase that is normally contracted on a year-on-year basis with the broadcasters.

Other expenses grew by about 10%. They came in an about 245 crores, it compares with 233 crores in the previous year, a 10% increase. Some part of that increase is attributable to the fact that we now have a call center that is outsourced and balance mainly due to normal growth. EBITDA before other income came in at 87 crores, it compares at about 89.9 crores. The margins where it about 17% compares with 19% in the previous year. Other incomes stood at it about 15 crores, it is lower than the previous year, mainly because we have used some of our cash in the current year to repay some of those loans.

So the interest income obviously declined. We came in at about 102 crores after other income which compares with 112 crores last year. After providing for depreciation, financing costs and other exceptional items, we came in with a PAT of about 50 crores, it compares with 40 crores which was the PAT in the previous year.

On some business numbers. Our CATV subscribers grew from 1.8 million subscribers, paying subscribers to about 1.9 million paying subscribers. However, if you take the revenue generating units, we grew from 2.9 million subscribers to 2.3 million subscribers, which includes our broadband subscribers also. We deployed about 662,000 boxes, set-top boxes in the last year, which took us from 1.4 million boxes deployed as of the last year to about 2.1 million boxes deployed as of the end of March 2012. Of these boxes, nearly about 2.5 lakh boxes were deployed in the last quarter.

In terms of preparing us for DAS, we have about 2 million subscribers to address in the cities of Mumbai, Delhi and Kolkata of which we have already deployed about 850,000 boxes, leaves us with a target to deploy about 1.2 million boxes in the course of the next couple of months. So that is sort of the situation in summary.

As far as cash situation is concerned, our total borrowing gross debt as of the end of March was about 240 crores. If you include the vendor credit that we enjoy, about 33 crores from NDS and Cisco, that adds up to about 273 crores. Total cash on the balance sheet is about 66 crores which is free cash and if we add about 15 crores which is kept as margins under various facilities adds up to about 81 crores. The net worth of the company stood at about 800 crores. We have a debt equity ratio of 0.35. We are very well placed and have adequate room, headroom therefore to raise additional debt capital for any financing in the future.

This is broadly in summary. And I will leave it to the forum for queries which we will now take. Thank you.

Questions And Answers

Operator

Thank you very much sir. Ladies and gentlemen, we will now begin with the question-and-answer session. [Operator Instructions]. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, thanks for the opportunity. My first question is on the content cost. It has gone up this quarter and you've mentioned that most of the deals were signed at the end of the year. So what is driving this? Have we seen in earlier years also a similar kind of growth or is it because now you'll be getting more digital subscribers, so you are preparing that in your plan for the next year?

K. Jayaraman, Managing Director and Chief Executive Officer

Content cost increased mainly in FY'12 because in the previous year, we only had an effect of 2 months for TEN Sports package where as in FY'12 we had full impact for the entire 12 months basically. That was one reasons. The second reason was until -- since we are talking about standalone here Abneesh, In FY'11, we add two joint ventures, VCN in Bangalore and Gwalior. These two became 100% won by us in FY'12. So, in the earlier year it was reported under subsidiary so it was not forming part of JV, it was not forming part of standalone, but forming part of JV. So now in the current year FY'12, not current year, in FY'12 it has been merged at part of Hathway because now they have become 100% owned by us.

So, one was Ten Sports package which had three months impact in previous year which became 12 months and the other main reason was this VCN Bangalore JV and Gwalior which became part of us.

Apart from that, we have also had some impact on account of Mediapro which we had little more than what we had anticipated. So finally that had some impact. And also we have also given a major thrust on commercial establishments and HD basically. All that is grouped, commercial establishments are basically for these hotels and restaurants and commercial offices. So, we have become a distributor for some of the channels for that. So, we by content, distribute to this commercial establishments and typically we earn about 10% on that.

So, that cost is also added here. And apart from that high definition also, we have had one quarter impact for some of the channels because right now we have about 19 to 20 channels in high definition. Some cost came in Q4 of the previous year.

Abneesh Roy

And if you see quarter-on-quarter we are seeing 9% increase, and you mentioned that Mediapro and HD are the new reasons for the increase. Could you split up how much came from the Mediapro? How much came from HD? HD, I think should be small because number of subscribers are very small?

G. Subramanian, Chief Financial Officer

Small because for the last quarter it wasn't. But mainly it was Mediapro basically. That split of Mediapro, I don't want to give into the conference call. But you can say that on overall basis, it was at, finally we gave a 10% weighted average hike. Whereas, the impact of that came in the last quarter little more. Well, every quarter we provide something add-on, but the contract was finalized only in Q4 of FY'12.

If we finalize Q4 of FY12, whatever add-on provisions we made in the previous three quarters, mine is the final settlement had some incremental impact.

Abneesh Roy

Sure. Sir, now our digitization pace has picked up. So for FY'13 how are you looking at the content cost seeing on quarter-on-quarter big jump. And, so what kind of numbers you are expecting for FY'13 on a standalone basis?

K. Jayaraman, Managing Director and Chief Executive Officer

FY'13, we will have partially from July onwards we will have DAS.

Abneesh Roy

Yeah.

K. Jayaraman, Managing Director and Chief Executive Officer

You know the content cost is very clear. It is separated from the gross profit and aggrevate the gross margin basically. It's subtracted from the revenue and you get a gross margin, which you can liken it whatever DTH players are entering say 30%, 35% of the range.

Abneesh Roy

Because those DTH players are much larger in scale and they have been in operation for now many years, so are you also getting similar rates?

G. Subramanian, Chief Financial Officer

No, I'm saying what we think we can work around is a 30%, 35% kind of a rate. Content cost.

Abneesh Roy

Okay. Sure.

G. Subramanian, Chief Financial Officer

The question in the current year FY'13, it will be little colored because first half we will probably have, not entirely first half let's say greater part of first half we will have analog and then larger part of the year we will have digital. So, we really can't say how the content cost will move in digital, but I think it will be in the 30%, 35% range. Whereas in the first part of the year, it will be analog, and analog mostly the contracts are there somewhere between March and June depending on various broadcast assume what et cetera. So, there I thing negotiations are on, but probably we will try to figure out to keep it status quo because anyway we are going towards that.

If here and there some small increase have to be given, we may consider that. But hopefully we'll be able to recover that because the bouquets are also launching new channels. So hopeful we'll be able to cover the GEC increases, because new channels in GEC are also happening as you know.

Abneesh Roy

Sir, my second question is on the Rupee impact...

Operator

Mr. Roy could you return to the question queue?

Abneesh Roy

No. I have just one more question. Could you comment on the Rupee impact sir, Rupee has depreciated so that's the last question?

G. Subramanian, Chief Financial Officer

On the Rupee impact, I think currently we are giving the boxes at about 770 included service tax, that is the range that which we are doing. Accounting effect there off, which we will come to shortly. But on the commercial side or really on the operating side, while we are still clinging onto the Rs. 750 pricing, but probably we will have a debate and then going forward we may also consider increasing the set-top box prices.

Abneesh Roy

Okay. Okay sir. I'll come back. Thanks for this.

G. Subramanian, Chief Financial Officer

Yeah.

Operator

Thank you. The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah

Good afternoon sir. Sir I just wanted to know, I mean now finally is there any clarity in terms of what has to be passed on to the local cable operators, what will be there in terms of revenue with the MSOs?

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, the tariff order and the interconnect order is very clear on that. Probably it is only a free -- channel. The maximum price from the consumer for 100 channels minimum, maximum Rs. 100. There we have to pass on 45% to the cable operators, 55% to the MSO. Where a customer opts pay channel, assume that if he opts for a pay channel and assume that the minimum prize is 150 as a -- which is a combination of pay and free, I would pass on 35% of the thing to the cable operator.

Grishma Shah

If you were charging 150 of which 100 pertains to free to air?

K. Jayaraman, Managing Director and Chief Executive Officer

No, there is no segregation of 100 as free to air and 50 as pay. It is a -- that tearing that each MSO can make on its own. Okay. However, the only regulation is that the minimum price of your tiering, minimum price of your tiering cannot exceed 150. Suppose if you offerd three types of bouquet, which is a combo of pay and free, one is priced at 150, it can't be priced at Rs. 150.01 also, the minimum should be 150.

But however, you can have a second bouquet of more channels, more pay, more free which can be 200 to 250. A third one can be 500. Fourth one can be even Rs.1,000. There is no prohibition.

Grishma Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

But the minimum take that you have to give to a consumer cannot exceed 150.

Grishma Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

That is a combination of free-to-air and pay.

Grishma Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Then the regime of 35% comes in.

Grishma Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

To the cable operator. And 65% to the MSO, out of which you will pay content cost and retail the balance.

Grishma Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

In the case of BST, which is a simple 100 free-to-air channel minimum. The maximum price is 100 and the revenue share with -- is 45%.

Grishma Shah

But sir, what about the carriage fees? What is -- how the carriage fee is going to get replaced now for us?

K. Jayaraman, Managing Director and Chief Executive Officer

Carriage fees need not be shared with -- few. You were talking about revenue share, carriage fee need not be shared with -- few.

Grishma Shah

So we'll continue...

K. Jayaraman, Managing Director and Chief Executive Officer

We'll see 100% with the MSO.

Grishma Shah

Irrespective of whether we are serving the customers through an analog or a digital platform?

K. Jayaraman, Managing Director and Chief Executive Officer

No. The entire regulation is only for that. Analogue, there is no regulation. The whole tariff order and interconnect that has come just now, about a week or 10 days back is only for that regime.

Grishma Shah

Okay. But under that regime what happens to the carriage fees?

K. Jayaraman, Managing Director and Chief Executive Officer

Under that regime there is nothing happens to the carriage fees. The tariff order and interconnect doesn't see anything on carriage fees.

Grishma Shah

Are you expecting anything on that?

K. Jayaraman, Managing Director and Chief Executive Officer

We expect, we do not expect that it will continue on the same basis as analogue, there will be some reduction as we've been guiding you. But if you take into account the fact that subscription will go up by x number of times, even if -comes down as it was compared to earlier by y number of times. The waited average revenue growth will still be multiple times basically which we have been sharing it even on individual basis with -- and some times in investor conference. So overall growth in subscription revenue in Mumbai and Delhi will far outweigh the kind of carriage fees that we may seem to loose, because while it is being written in newspaper the carriage fee has been banned, there is nothing like there in the tariff order as on date.

Tariff continues, there is no cap, there is no such thing. The only few things that they have said is that where if MSO asked for a channel, then you can't demand a carriage fee. However if a broadcaster ask for a channel to be placed then he has to pay carriage fee basically. So if I go and ask a guy a particular channel then I cannot demand carriage fee. But that doesn't prohibit basically.

Grishma Shah

And the other thing is that you said 2.5 lakh set-top boxes already deployed and the opportunity for you is closer to 2 million?

K. Jayaraman, Managing Director and Chief Executive Officer

Actually we have deployed 8.5 lakh boxes.

Grishma Shah

8.5 you've already deployed?

K. Jayaraman, Managing Director and Chief Executive Officer

In these two cities. These three cities. Two cities is main, Calcutta we are smaller. But take into account all three put together, 8.5 lakhs we have already deployed out of the potential base of 2 million.

Grishma Shah

Okay.

G. Subramanian, Chief Financial Officer

So, we're about 40% done.

Grishma Shah

Okay. So is the deadline there you face an extension and also what would be the CapEx then for the entire year?

G. Subramanian, Chief Financial Officer

Already CapEx is considered, total Phase I CapEx is considered at about 300 contract gross which includes set-top box, additional head-end equipment for 500 channel and - other 300 crores is the cost of project gross. On that, we have to subtract whatever I receive as upfront set-top box revenue from the consumer. So, that you subtract average, it will be some 70 crores, 80 crores max 100 crores. So, net project cost would be 200 crores. So, gross is 300, net of recovery say 80-100 crores, so about 200 crores for Phase I.

Grishma Shah

Yes.

G. Subramanian, Chief Financial Officer

And, this whole amount has already been fully funded at this point of time.

Grishma Shah

Okay. And we will start seeing due to the new tariff, I mean the new digital paying et cetera from this quarter onwards, that is quarter one onwards, right?

G. Subramanian, Chief Financial Officer

No. Quarter two.

Grishma Shah

Quarter two onwards.

G. Subramanian, Chief Financial Officer

July 1st.

Grishma Shah

Okay. Fine. Thank you and good luck.

Operator

Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna

Yeah. Good afternoon sir. My question, first question pertains to the carriage fee. You have mentioned that it is 30% to 35%. But if we go through the TRAI order, it clearly states that up to 42% of the paid ARPU. Could you clarify this 30% to 35%, because if we assume that the average revenue let's say 200 bucks, then the breakup walks out close to 20% for broadcaster and 40%, 40% for LCO and MSO for the directions of the tariff holders.
So, this 30-35% on what basis you've clarified in that?

G. Subramanian, Chief Financial Officer

See,that 42% is if you take a channel on a-la-crate basis, 42% of the RIO rate as was prevalent in analogue regime basically. Effectively you don't do any content -- actually it is not carriage, it is content cost. What do you said is actually content cost.

Bajrang Bafna

Yeah, sorry content cost.

G. Subramanian, Chief Financial Officer

When you look at really content cost and digital scenario, it is never linked 42% of the - regime, normally content cost in digital regime is procured on the basis of a certain lump sum amount basically which like DTH guys pay. So, when I said it will be 30-35% of subscription revenue, what I really meant was in line with what other digital players also incur the similar kind of cost.

Bajrang Bafna

So, that is of total revenues, be it free to air or be it paid, correct?

G. Subramanian, Chief Financial Officer

In the case of free-to-air, we don't pay anything.

Bajrang Bafna

So, that's what I'm -- if my average revenue per subscriber including FTA and the paid is let's say Rs. 200. So max even if I'll assume 40% it works out at 20% of the overall revenue.

G. Subramanian, Chief Financial Officer

You will really not get any revenue for free-to-air, you can't hope to get any revenue for free-to-air in a combined bouquet. The free-to-air is anyway you have to offer. In a competing scenario, when we really offer a Rs. 200 product, I presume 60%, 70% of the content would be pay content.

Bajrang Bafna

Okay. So, just to reframe my question, this FTA thing which they've clearly said that Rs. 100 for 100 channel.

G. Subramanian, Chief Financial Officer

Bucket, that's a separate bucket.

Bajrang Bafna

Yeah, in a bucket, so how do you see this FTA because for our modeling purpose also you have to assume some free-to-air component where 55% will be for MSOs and 45% for LCOs.

G. Subramanian, Chief Financial Officer

No. Why don't you touch with our MIH department, what is the percentage you have to assume, because that is just your internal modeling you want to do.

Bajrang Bafna

But on an average, what is your thought because now the clarifications are anyway there?

K. Jayaraman, Managing Director and Chief Executive Officer

I think 100 channel pure FTA not more than 5% of the people will take in Mumbai and Delhi I am talking.

G. Subramanian, Chief Financial Officer

Because the quality of the channels available on the FTA bouquet will also determine the offtake. We anticipate that given the quality of those channels, there will be predominantly 26 will be Doordarshan products. And the balance will be pretty average products. So, it is very likely that most of the people will consume pay channels rather than the pay channel product rather than the FTA product. So, our own current estimate is about 5% of the people will go for the free-to-air booking, nearly about 95% will go for one or the other pay channel bouquet. Of the 95% some percentage will go for the higher end pay channels bouquet.

And some will go for a lower end pay channel bouquet, which is at 150 bucks.

Bajrang Bafna

And, in this free-to-air category the JSM has also clarified that carriage fees definitely is expected to come down and he has coated one number, like Rs. 0.5 to Rs.1 per subscriber per annum per channel. So, your though process on that, of course he has quoted some ballpark number, where he instated that in dash probably this could be the revenue. So even if we assume let's say 100 free-to-air channels and let's say end of the day 10 million subscribers. Then, this number works out close to Rs.100 crore in total for the carriage. So any thought process on that, because, one thing the order clarifies is that, the -- there has to be a transparency and rate has to be uniform across broadcasters.

So probably the 100 channels where you'll fit in for the FTA definitely the power of MSO is pretty high, because whom to carry and whom not to carry is anyway dependent on the MSO. So in that circumstances will there be any sort of discrepancy between the free-to-air channels and the channels which are not in the FTA category, because everybody wants -- every broadcaster will be part of that 100 channels which are in the FTA category. So any thought process from your side on that?

K. Jayaraman, Managing Director and Chief Executive Officer

I think you've answer the question also, what you asked. So whatever question you've asked, you've answered, but still I'll answer. What Dr. Jay Sharma who is the HTR Chairman has said basically has got no relevance, because it is not found in the tariff order. He quoted a figure of Rs. 1 per -- he said Rs.

1 and then somebody prompted him as Rs. 1 per month or per annum and he just casually -- to that. That is not relevant because that is not found in any piece of tariff order or interconnect basically. Moral of the story of what he said was that everybody has to quote per sub, per month or per annum per channel what he will charges as carry. And that should be put on the -- as an RAO on the website, correct. -- has a power under Section-11 to figure out whether that particular rate is high or low and it has a right to intertwine.

That regulator has all powers basically.

So in that context, what he was trying to say really was whether it is Rs. 0.50 or whether it is Rs. 1 it is good. The only thing that slipped out of the whole conversation was that is per month, that is not per annum. It's actually slip of the tongue, because when we were in TRAI for discussing, they had put a cost sheet which gives per month basically. So it was just actually a slip.

So I don't think he ever mentioned any amount nor is there any amount mentioned in any tariff order or any interconnect order. We can fix -- Hathway can fix, in the sense -- media can fix, then can fix then put it on the website and that is it.

Bajrang Bafna

So what could be the ballpark number you feel could be provide some sort of...

K. Jayaraman, Managing Director and Chief Executive Officer

That we have not yet discussed internally, what we have to do. But what Dr. Sharma who is -- Chairman now who has quoted what has got no relevant because it has neither found place in the tariff order such a cap or it has found place in the interconnect order.

Bajrang Bafna

Sir, just last question on the bad debt side, now we are moving to -- and perhaps I believe that once we see the sunset date, it could be delayed by three months, six months anybody's guess as on date, then finally once you are setting the set top boxes and some, after setting the set top boxes some LCOs might move to some other MSOs even after setting the set top boxes. We have seen that happened in Tamil Nadu so in that scenario how frequent they could be and in such a scenario what is the mandate that we are with the LCO to recover those set-top boxes again or how that mechanism works and what is your thought process, it will be going forward also?

K. Jayaraman, Managing Director and Chief Executive Officer

I think recovery of set-top box is a challenge even for DTH guys, where you get the box on rent or on free to use and then you discontinue, so that is a challenge, but basically we have field staff, including the LCO staff, so we may have to really work on that basically together. Yes, if an LCO -- is changing it is much easier also, because we've know which LCO change -- and where we can do. LCO gives it we will take it otherwise we will go in for legal proceeding, but if there are stray customers going from one LCO by real churn to DTH, then it might pose a little difficulty. So one has to figure out how to go about doing that, but, if like Tamil Nadu situation happens and due to the end mass it is much easier basically to get because you know which cable operate - is going.

Bajrang Bafna
True.

G. Subramanian, Chief Financial Officer

But, yes. You can say that recovering the set-up box is a challenge, whether it is for a DTH or for future DAS scenario.

Bajrang Bafna

Okay. Thank you, sir. Thanks a lot, sir.

Operator

Thank you. The next question is from the line of Vivekanand Subbaraman from MF Global. Please go ahead.

Vivekanand Subbaraman

Yes, sir. Thank you very much for talking my queries. My question was on the bouquets that we would be designing in our DAS scenario. The first thing is the minimum tariff bouquet which is Rs.150 bouquet. The bouquet which can be priced at a maximum of Rs.150. Is there a guideline on how many pay channel should be included here?

G. Subramanian, Chief Financial Officer

No guidelines.

Vivekanand Subbaraman

Okay. And secondly, what kind of choices are we going to offer to customers in the sense the number of bouquets and is it going to be similar to DTH or any thoughts on that.

G. Subramanian, Chief Financial Officer

We will have to figure out and be better than DTH. But broadly we are thinking of Rs. 150 bouquet which is the mandatory thing. The minimum can't exceed 150. We'll have that one then a middle one and then a higher one because obviously we are asked to now carry 500 channels. So, maybe we want to make a bouquet of 300, 400 channels also.

So, we are broadly looking at pricing and all is not yet decided because it is just still little bit early days. We are talking to the broadcasters also on the content cost and packaging. So, roughly we are looking at one basic level 150, then a middle level and one a higher level.

Vivekanand Subbaraman

Okay.

G. Subramanian, Chief Financial Officer

Then we may also come out with packages which will combine it with broadband and also with HD because we offer these services also in Delhi and Mumbai. That is broadly the plan.

Vivekanand Subbaraman

Okay.

G. Subramanian, Chief Financial Officer

So, what happens is when we combine all this, it will be far attractive to DTH because we will be able to combine broadband with our standard of mission. And yet we think that the price will be far, far attractive than the standalone DTH offering, offer higher level package.

Vivekanand Subbaraman

Okay. So what are your thoughts on ARPUs then?

K. Jayaraman, Managing Director and Chief Executive Officer

ARPU for the purpose of our model generally we should take about 175, I think that should be okay.

G. Subramanian, Chief Financial Officer

Actually the ARPU will be a weighted average of about 175 to 180. And we expect that over a period of time, it will be go up to and stabilize at about 225, may be over three years. But in the immediate aftermath of the launch it will be about 160 to 180 range.

Vivekanand Subbaraman

Okay. So, you don't see ARPUs changing after transitioning to the digital phase, say assuming that....

K. Jayaraman, Managing Director and Chief Executive Officer

You expect to see it change but not immediately because our first focus is on feeding the market with the boxes and making sure that we get the market.

Vivekanand Subbaraman

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Then we will start looking at the ARPUs. So, if you start focusing on two thing at at a time, we may not do either of them very well. So, that is our plan.

Vivekanand Subbaraman

So, essentially you will be offering more channels at the same price. Isn't it?

K. Jayaraman, Managing Director and Chief Executive Officer

We will offer, but the price of that would be little higher. So, when I do a business plan, if I take 5% for BST Rs. 100, rest 95 will be split between Rs. 150 package, middle package and the higher package. So, obviously the highest package will constitute very less portion of the weighted average. But yes I think, 175 as an ARPU if you really look at some of the published ARPUs of the DTH companies that are still higher.

Vivekanand Subbaraman

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

And we are really not taking the five to 10 extra ARPU that we may get get because we may combine broadband also which is very significant for us in Mumbai. For example, in Mumbai we have almost 200,000 broadband subscribers. In DAS, we expect 700,000, 800,000 subscribers in that. 200,000 are already in comprised in broadband. So, I can do much, so much more to retain that customer and do a combined ARPU.

Vivekanand Subbaraman

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

That I am not really getting into those integrity. But a Vanilla 175 is what we think is a safe assumption.

Vivekanand Subbaraman

Okay. And in Mumbai -

Operator

Excuse me, this is the operator. Mr. Subbaraman can you return to the queue?

Vivekanand Subbaraman

Ma'am actually this is part of the same query.

Operator

Please go ahead.

Vivekanand Subbaraman

Okay. Yeah. So, in Mumbai if we managed to see everything, then our broadband reach would also be equal to our subscriber reach?

K. Jayaraman, Managing Director and Chief Executive Officer

Not necessarily. We can take about 20% - 15% to 20% of it which is currently so. We reach in Mumbai say 700,000, 800,000 home and they still have 200,000 which is about 20% roughly. Even if I continue to assume worst case 20% and an ARPU of 350, 400 on broadband 20% of that is another Rs. 50, 60.

Vivekanand Subbaraman

Okay. And lastly on the subscription rate between yourself and the MSOs and the broadcasters, is it going to be on a negotiated basis going ahead or if my understanding is correct.

K. Jayaraman, Managing Director and Chief Executive Officer

We plan to have meetings with the broadcasters. We have had some informal meeting, and now we will begin some meetings and do. It is not yet crystallized, but generally we feel that buying in bulk and then packaging it is a much better option.

Vivekanand Subbaraman

Okay, sir. Okay. Thank you very much.

Operator

Thank you. The next question is from the line of Ashish Upganlawar from Spark Capital. Please go ahead.

Ashish Upganlawar

How do you expect the LCO response after has been cleared the revenue share part of it had been cleared

K. Jayaraman, Managing Director and Chief Executive Officer

It will definitely be not going to be happy, even if we give him 100% revenue share.

Ashish Upganlawar

No. Because, we have...

K. Jayaraman, Managing Director and Chief Executive Officer

100% we cannot give Ashish. But, assuming that it is given 35% now, I have heard some representation being made in some quarters that, they should be even 45%. So when officially they themselves have put up a lateral for 45%. That becomes an evidence in the record. So, even if somebody where to go and challenge the tariff order for the time being in TD Sat, anywhere between 35 to 45.

But I think, at this point I really don't see more than 35% going to the cable operator. Because, it has been done in a pretty equal manner. One-third we expect the broadcasters, one-third to the MSO, and one-third to them. Even in many cases earlier on the digital tariff order government, Supreme Court has taken a view that, you take an average and then equally distribute it. Because, it's a very subjective So, even in a representation made very recently, I have seen one representation by Kofi or some other institution, body of cable operator. They have asked for 45%.

Ashish Upganlawar

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Where as hitherto, they are 80%. So, it is not they have also gone and asked for 80% or 90% Ashish, they also ask for 45 basically. So the gap is 10% which I am sure they will get it any way.

Ashish Upganlawar

Okay. So this recommendation by the TRAI order that had come, is it recommendatory or mandatory.

K. Jayaraman, Managing Director and Chief Executive Officer

Mandatory, these are all tariff orders these are not recommendation. The tariff orders and inter connect regulations.

Ashish Upganlawar

Correct. Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

It can only be set aside by higher authority.

Ashish Upganlawar

Sure. Since I mean, since this is taken as a more sort of a fixed kind of a revenue share, then LCOs rather should move on with the job now because that had been the major hurdle has we have been talking so many quarters in digitizing set-top boxes into customer's homes. So how do you see movement on the ground, I mean because it's just about one and a half months that is left for the first...

K. Jayaraman, Managing Director and Chief Executive Officer

If we look at 2 million homes and we have raised 8,50,000, how much 8,50,000. We are the best amongst the entire MSO segment we have almost reached 40%, 45%. And perhaps more thrust will come in the next one and a half months with the certainty of the tariff order and things et cetera. So, at 45% we are not at all in a difficult position as compared to other MSOs who are in much more difficult position which you are aware.

Ashish Upganlawar

Okay. but given the ask that we have, do you think I mean how much can be done within the time limit that is given rather than...

K. Jayaraman, Managing Director and Chief Executive Officer

See, the time limit has got nothing to do because in the case of DTH they're doing it on the basis of dish antenna to be erected and wiring to be done. In our case, it is just changing the plug so, it hardly take fiver minutes per set-top-box. So I think if you - for example like in a place like Mumbai, SEC A,B home largely we have covered Ashish.

Ashish Upganlawar

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

I can tell you for example, Malad, Kandivali or even South Bombay city or Mulund. As you see A, B is all done basically, BOACC homes. Now, to that extent those SEC homes either large GUYS will do in the last minute only, and let me tell you even cash time after shut off only lot of people picked up, when you shut out the pay channel, we picked us. Similarly, a shut of the channel also would we required for that we've done. My own analysis if you take Mulund, if you take Bhandup, if you take Malad, Goregaon all SEC A, B largely we have done.

G. Subramanian, Chief Financial Officer

another way of looking at Ashish is it is not as if we are going and physically fitting boxes, our employes don't do it. These boxes are first dispatched to the LCOs and the LCO employees actually do it. So, the feet-on-street is already available. It is not a very big challenge in that. Like Mr. Jayaraman put it, like in India everything happens after the dagger is hanging over one's head. So, you will find that at the last minute, it will accelerate.

Ashish Upganlawar

Okay. But conservatively can one expect that this 40% number going up to maybe 70% - 80% kind of?

G. Subramanian, Chief Financial Officer

Hopefully more, but let us see.

Ashish Upganlawar

Okay, okay. Sir on the CapEx, I wanted to understand you gave the number for first phase. The total CapEx for all the phases and how much are we building in for this increase in the number of channels to 500 channels?

K. Jayaraman, Managing Director and Chief Executive Officer

See we would have to incur a gross capital expenditure of about a 1,000 crores. If you back out the amount that we'll receive from each of those subscriber, it amount to about 200 crores to 250 crores. And therefore a net-net about anywhere between 700 crores to 750 crores is what we should be head-ends.

K. Jayaraman, Managing Director and Chief Executive Officer

On set-up boxes.

G. Subramanian, Chief Financial Officer

On set-up boxes.

Ashish Upganlawar

Okay. And on the increase in number of channels, is that a significant CapEx, any numbers to share on that?

G. Subramanian, Chief Financial Officer

Yeah. That was not originally thought about. Obviously, the TRAI has now mandated 500 channels. So, there will be an increase in the CapEx due to that. That will probably add about, how much per -- should we say?

K. Jayaraman, Managing Director and Chief Executive Officer

On a bulk if you buy, we incur about, we can get with about Rs.1 lakh per channel.

G. Subramanian, Chief Financial Officer

So, it's about Rs.1 lakh per broadcast.

K. Jayaraman, Managing Director and Chief Executive Officer

So, 250 we already have everywhere. So, we have to increase 2.5 crores per system, so --. And we don't have to increase in all the cities, some cities interconnected. Maybe another 50 crores, 75 crores.

G. Subramanian, Chief Financial Officer

Maybe see, the way Mr. Jayaraman commuted it was per broadcaster, per IRD, it will be Rs.1 lakh. Because, we will now be acquiring these IRDs in volumes. So, if you take Rs.1 lakh per IRD, that would translated 2.5 crores per head-end.

K. Jayaraman, Managing Director and Chief Executive Officer

Incremental.

G. Subramanian, Chief Financial Officer

Incremental investment.

Ashish Upganlawar

Okay.

G. Subramanian, Chief Financial Officer

So, 2.5 crores per head-end would translate into say assume, we have to do about 30 head-ends at the 20 head-ends. About 20, sorry 20 head-ends nationally it's about 50 crores approximate.

Ashish Upganlawar

Okay. Understood. Sir lastly on this ARPU front that you said obliviously, we can't compare it to details, because there is no LCO involved, so that 160 and 170 on recurring our ARPU maybe a Dish TV would be non-comparable. So, Rs.180 of ARPU, this you're talking about including what the LCO needs to get out of it and broadcast as well?

K. Jayaraman, Managing Director and Chief Executive Officer

Well, that -- what customer paid excluding taxes.

Ashish Upganlawar

Okay.

G. Subramanian, Chief Financial Officer

Excluding taxes. You have to add back to that about Rs.20 towards say service tax and on an average nationally about Rs.20 towards entertainment taxes. In a state like Maharashtra it can amount to as much as 40 bucks. So, if you take in Maharashtra 40 plus 20 plus 175 is really nearly 235 bucks.

Ashish Upganlawar

Okay. And one more thing on the -- I mean, how we approach the customer, I just wanted to understand there has been lot of advertising on the print and also on television that is coming now but is it going to be like, cable are going to give 500 channels to the customers, or is that going to be the key page from the LCO or now I mean, since, that would be a...

K. Jayaraman, Managing Director and Chief Executive Officer

500 channels won't come at the same price as what the customer is paying today for 100 channels in analog certainly.

Ashish Upganlawar

Correct.

K. Jayaraman, Managing Director and Chief Executive Officer

You will have to pay more because there is a cost of carriage for that. And this 500 also could include some pay, so there will content cost and all the stuff et cetera.

Ashish Upganlawar

Okay, okay.

K. Jayaraman, Managing Director and Chief Executive Officer

But the pitch is going to be 500 channels are available at the choice basically.

Ashish Upganlawar

Okay. So, actually to compete with DTH and...

K. Jayaraman, Managing Director and Chief Executive Officer

Whether we'll be able to combine of 500 channel bouquet and sale it, that might be a little challenging.

Ashish Upganlawar

Okay, okay.

K. Jayaraman, Managing Director and Chief Executive Officer

We don't know which guy will buy a 500 channel bouquet and for what?

Ashish Upganlawar

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

I mean normally about 250 channel I have seen because we give 250 now even currently on a standard definition. And many people are okay with 200, 250, even some of the DTH guys are giving.

Ashish Upganlawar

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

500 channel whether somebody will buy not sure. But it required some intelligent packaging. So, one has to do that cost.

Ashish Upganlawar

Okay. Sir...

K. Jayaraman, Managing Director and Chief Executive Officer

On the whole, ARPU we are expecting 175 plus taxes.

Ashish Upganlawar

Okay. If I can ask one more question on the broadband piece. Any plans that you can share because 13% revenue jump for broadband seems to be a bit lower. So, I mean any plans for the next year that you can share can it go out?

K. Jayaraman, Managing Director and Chief Executive Officer

Actually while we did 13% to 16% increase in revenue on broadband, our EBITDA went up by almost 32% corresponding year-on-year basically.

Ashish Upganlawar

Why would that higher number on the --

K. Jayaraman, Managing Director and Chief Executive Officer

Being FY'11 and FY'12, revenue jump was about 14%, 15%, our EBITDA jump was about 30%-35%. Current year also we are expecting something similar to that.

Ashish Upganlawar

On the revenue as well?

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, overall we're expecting that level. There is an aggressive, we've haven't put an aggressive plan yet.

G. Subramanian, Chief Financial Officer

Gentlemen, you must understand, we don't give guidance.

K. Jayaraman, Managing Director and Chief Executive Officer

Guidance, no. that's why I am saying.

Ashish Upganlawar

That's fine. Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

But yes, we will prepare an aggressive plan once that settles in and then offer a combo product also. So, that will increase penetration further.

Ashish Upganlawar

Okay. And CapEx on broadband anything specific apart from these numbers that you've shared?

K. Jayaraman, Managing Director and Chief Executive Officer

For the current was 30 crores - 40 crores.

G. Subramanian, Chief Financial Officer

40 crores. Yes that is the budget for the next year.

Ashish Upganlawar

Okay, sir. Thanks a lot.

Operator

Thank you. The Next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

Nihar Shah

Good afternoon sir. I just had one question. Just wanted to understand it's been two week since the TRAI order came out. Has there been some sort of just, wanted to understand, what are the execution challenges that you foresee over the next coming up for the digitization? And do you see the LCOs having any sort of options or opportunities to actually try and push back digitization by larger significant period? And, what's the kind of deadline extension that you see that might have to come up? So, one of the things that have happened recently, I believe from a press article is that, the Bombay High Court has requested the government to delay the digitization by about six to seven months saying that the smaller LCOs and MSOs are not ready for it. Are there any other such challenges that you foresee? That's all from my side.

K. Jayaraman, Managing Director and Chief Executive Officer

Bombay High Court has requested to comment anything. Bombay High Court has this admitted a petition by some smaller cable operators asking for deferment to October.

Nihar Shah

Sure.

K. Jayaraman, Managing Director and Chief Executive Officer

Now, the petition has been admitted and the government has been served with the papers on June 11.

Nihar Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

So, the judiciary cannot do any thing on this basically because this is the parliament that is passed the law.

Nihar Shah

Sure.

K. Jayaraman, Managing Director and Chief Executive Officer

Anything on this subject cannot be said by judiciary. I would be very surprised based on the law and based on what we have interacted with the Central Government. Now regrading the execution work and challenges that is pending, mainly with the tariff order and interconnect coming we have to work out the revenue sharing arrangement with the broadcasters basically.

Nihar Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Whether it is a fixed fee or whether it is a alacard. If it is alacard it is 42% of the RIO rates. So it is not a big deal, it's already there in the tariff order.

Nihar Shah

Sure.

K. Jayaraman, Managing Director and Chief Executive Officer

So I'm going to do a bulk deal or fixed fee deal, then I have to work it out. So that is first work. And then get that agreement done. The second is, we have enter into individual agreement with the cable operators and the agreement done with the content provider. These are the two bigger challenges that we have.

Nihar Shah

Sir, what would besides the revenue share, what would be some of the other sort of taking points or discussion or negotiation points with the local cable operator on that agreements?

K. Jayaraman, Managing Director and Chief Executive Officer

No. Actually we are in fact asking for the standard interconnect agreement from TRAI.

Nihar Shah

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

I think, TRAI is hopefully, will consider it I think. We don't want to get into negotiations of each and every clause of the interconnect agreement. In the earlier regime of cash, they are fixed to an under grant agreement that we are trying to fix that so that it will be a standard agreement across the country.

Nihar Shah

Okay. And in your sort of sense what do you think would be the sort of possible delay of digitization? Do you think that the July date will hold up or do you see a slight delay to that?

K. Jayaraman, Managing Director and Chief Executive Officer

As of now, there is no indication from the government on any sort of delay actually. So, they're continuing to hold that 30th June is the last date for analogue.

Nihar Shah

Okay sir. Just one last question is you used to give out economic interest EBITDA number. Is that number for this quarter available?

G. Subramanian, Chief Financial Officer

We're not disclosing economic interest this quarter because this is the year-end. And we are awaiting the completions of audits by each of the joint ventures and subsidiaries. So, you will, we are hoping that this would be completed in the course of the next two to three weeks. So, probably by middle of June, we will be able to more accurately give you that number. There is also the fact that this year there has been some changes in accounting guidelines. So, we have taken a slightly longer time cis-à-vis our subsidiaries.

Nihar Shah

Okay. Great sir and good luck on the execution.

K. Jayaraman, Managing Director and Chief Executive Officer

Thank you very much.

Operator

Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead

Miten Lathia

Sir, tariff order if we understand correctly does not allows you to do minimum guarantee or fixed rate deals with the broadcasters. So, would you be able to get into arrangements like DTH operators of fixed fee deals.

K. Jayaraman, Managing Director and Chief Executive Officer

No. They've said minimum guarantee cannot be demanded basically. But a mutually agreeable amount can be arrived at between both of them. Something what I wont give you unless you pay so much, that's a minimum guarantee. Here both the parties conclude to arrive at that the -- for this ex-bouquet media pro would be so much. It's a concept between both them.

Demanding by one party is band, both the parties consenting to each other and agreeing to a mutually agreed amount is okay.

Miten Lathia

Sir, your current contracts with all these broadcaster alliances would be city specific or would be on a PAN India basis?

K. Jayaraman, Managing Director and Chief Executive Officer

Depends on channel-to-channel. For example, some bouquet, recent bouquets would be city specific. You could take Sun TV bouquet, it would be city specific, because the payout would be more in South than what it will be in Western, South and Central, Western North and Central. But if you look at general Hindi speaking GECs and the bigger bouquets, it all depends on how we negotiate. In the case of Hathway, largely -- channels are across the system, whereas the Sun TV type should be for city specific.

Miten Lathia

Now you will have to break your contracts into Bombay, Delhi, Calcutta and the rest of the country sort of...

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah. Because, when we do that, post that fixed fee negotiation we allocated for each city. So, we just have to subtract the analog portion from the old and then get into a new contract here. And the residuary analog will continue to remain till Phase II.

Miten Lathia

On a some total of the Bombay, Delhi, Calcutta new contract, plus the rest of the country and it's existing form. How much do you think content cost would go up by next year?

K. Jayaraman, Managing Director and Chief Executive Officer

I don't think content cost essentially will go up. Because, content cost is a passthrough to us. If you take as a percentage of revenue, content cost is flat in tax. How can it go up? So, it won't really go up. And certainly, we do expect that the broadcaster would encourage digitization in the medium term. So, we do also expect that we will substantial revenue out of tearing and carriage.

So, I think all-in-all, it shouldn't go up. Because in a -- freezing it's very simple. You content cost is the passthrough. So, in the worse case it can be 35% on a weighted average based in the -- area. Whereas in there legacy analog like phase two, like Bangalore, Hyderabad or the Bhopal and Indore which is there in, normally it's a 5%, 10% activity.

Miten Lathia

It's is not cap that 35% isn't it, it is 42% of ROA price?

K. Jayaraman, Managing Director and Chief Executive Officer

42% ROA price. But then

Miten Lathia

Said to 35%...

K. Jayaraman, Managing Director and Chief Executive Officer

That impact is never applicable at all. Because nobody does 42% of ROA price, because ultimately you can't buy retail and sell retail. You won't make any money on that. That's actually when you do -- it applies. In practice, you do a fixed fee.

Miten Lathia

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Then you calculate it and -- it as a percentage of what is the revenue.

Miten Lathia

So, all subscription revenues?

K. Jayaraman, Managing Director and Chief Executive Officer

Subscription revenue, excluding taxes.

Miten Lathia

You think it would be the same percentage or a lower percentage of revenues for you?

K. Jayaraman, Managing Director and Chief Executive Officer

I think we will have a lower percentage because essentially we are looking at much more of SEC C&B homes in cable also. So, with the broadcaster who'd really want the penetration.

Miten Lathia

Sure, sir just 45 I am sorry -- just to stretch this further is 45 days left and no fixed fee deals signed with broadcasters. When do you think you'll be able to go to your LCOs to tell them this is what we have to offer and in turn they can go to their customers and sort of get them to convert to--

K. Jayaraman, Managing Director and Chief Executive Officer

Broadly to the LCOs we have shown the business model. I am talking about Hathway per se. We've shown Rs.100 free-to-air model which is simple. We've shown a Rs.150 minimum pay channel bouquet, then we've shown a medium level bouquet, which is 250 and the third level bouquet which is 350 or so and then shown what will be content cost, what will be his revenue, what will be the second TV revenue, what will be the multiple TV revenue, all these model we have a presentation made to every local bunch of cable operators. We have some trainees recruited and this is going on as an ongoing process.

So, subject to here and there depending on what DTH guys think that with their pricing, we have shown all these models to the cable operators and they're quite aware of it. As we were concluding a contract with the broadcaster whichever form, -- is straight forward nobody can deny it, because it's that as per TRAI, if I to do a fixed fee deal, it's a matter of few days of negotiation basically, I don't think all these things typically does happen not so much in advanced because after all the TRAI also comes about a week, 10 days back it has come. So, I think it shouldn't because since we have a working relationship with all these guys it goes on. And with the local cable operators, all this options have been discussed with them. What kind of bouquet, what kind of offering, what kind of money you will get, I mean that the LCO will get. We don't really think that peoples are completely unaware and in Hathway we have done several rounds of LCO meetings.

Miten Lathia

Good, good.

K. Jayaraman, Managing Director and Chief Executive Officer

The customer awareness is more critical which I think we should be able to do once the packages are made.

Miten Lathia

Okay. Great sir, thanks very much and wish you all the best.

Operator

Thank you. The next question is from the line of Pratish Krishnan from Antique Limited. Please go ahead.

Pratish Krishnan

Hi, just one question. In terms of the revenue sharing, I'm still not very clear, is it that we should assume that you will get a 55% share of the basic tier and a 25% to 30% share with the pay channels or is it a blanket 30%, 35% of the overall ARPUs?

K. Jayaraman, Managing Director and Chief Executive Officer

No, in the case of basic service that are free to air we'll get 55%. Whereas in the case where I do a combination of pay and free I will get 65%.

Pratish Krishnan

Okay. So, if like you're scheme pricing say 150 and TRAI said that Rs. 100 should, the basic....

K. Jayaraman, Managing Director and Chief Executive Officer

I don't have to break when there is a combination of free-to-air and basic, I don't have to break that Rs. 150 into 150 because that Rs. 150 could have, that Rs. 150 could have 95% composition of pay also. There are only two buckets, one bucket is BST bucket Rs. 100 bucket there you get 55, 45.

The moment the pay channel is added, it becomes a separate bucket that is a minimum of 150. When you go into that bucket, the cable operator gets 35%, 65% I retain. And if I can crack free-to-free deals with the broadcasters for one year, I may entitle to keep entire 65% also or whatever may the contract have fixed some, I'll pay to each one of the bouquets.

Pratish Krishnan

But if in the value of offering in that 150 will be largely pay and not free-to-air?

K. Jayaraman, Managing Director and Chief Executive Officer

We look at really the competing offer from DTH guys. If you look at Tata Sky, Dish TV and Bharti and all what they offered, it is a attractive 160, it's not even 150, it's actually Rs.160 to Rs.180. And they are reasonably attractive composition actually. In fact Tata Sky itself on the Rs.180, Rs.185 package have started giving cricket played in India free, or cricket played by India as part of that. But they don't have regional book. So it will have to have a Star Plus, it will have to have a ZEE or a Sony.

Pratish Krishnan

Sure. My question was more in terms of the, will you share the revenue with the broadcaster? I mean clearly for FT you did not pay anything. So, doesn't the order that prescribe that imply that you'll probably get a higher revenue in that 150.

K. Jayaraman, Managing Director and Chief Executive Officer

No, no. There is a separate bucket for BST which is 55-45. The moment a pay channel bouquet is done, 35% is to the LCO. Between me and the broadcaster, TR is lifted to market forces.

Pratish Krishnan

Yeah. Final, maybe I'll just take this offline.

K. Jayaraman, Managing Director and Chief Executive Officer

It's actually a four parent. I can pay even lump sum which would mean 20% of my revenue which can by 35% of my revenue depending upon how you contracted.

Pratish Krishnan

Sure, sure. Fair enough.

K. Jayaraman, Managing Director and Chief Executive Officer

Clip to four parent like DTH.

Pratish Krishnan

Okay, okay. And second just in terms of implement the safe one I mean the balance 1 million subscribers. When do you think you'll be able to kind of set or complete those levels?

K. Jayaraman, Managing Director and Chief Executive Officer

With 100% surety when we'll complete. But that earlier somebody was saying from my team that we will keep on pushing, right now we have done about 800,000 to 850,000 out of 2 million. I think there will be some percentage slip over even after the shut off day. And only after the black hole will happen, people will realize and then we will have to go and do it. So, I can't say for sure that all 100% will be up and running on 30th June. That's a very ideal situation.

G. Subramanian, Chief Financial Officer

We have in a way assume that up to about 80%, 85%. We are hoping to do, and the balance will be done later.

Pratish Krishnan

Sure. And just lastly in terms of, you mentioned that you are at 40% in this city.Any idea in terms of where the industry would be today?

K. Jayaraman, Managing Director and Chief Executive Officer

Which one?

Pratish Krishnan

Where is the industry in terms of digitalization in this.

K. Jayaraman, Managing Director and Chief Executive Officer

No idea boss because those reports and all now they're giving individually to the ministry and TRAI. So, I am not having the figure of the industry.

Pratish Krishnan

Okay. Fair enough. Thanks a lot.

Operator

Thank you. The next question is from the line of Nirav Dalal from Sharekhan. Please go ahead.

Nirav Dalal

Good evening, sir. Thanks for the opportunity. I had two questions. One is you said that we've done 8 lakh to 8.5 lakh sub -- now in boxes. What would have been the churn in that in a sense how much of the total have you done in 8, 8.5 so?

K. Jayaraman, Managing Director and Chief Executive Officer

In these two cities of 8.5 lakhs, these are net of churn that what we're saying. These are not -- LCOs was our own direct subscribers which are active, up and running.

Nirav Dalal

Okay. And this would have been added in the say last three months?

K. Jayaraman, Managing Director and Chief Executive Officer

No, no, no, 8.5 lakhs would have taken voluntary, because we have done voluntary over the last couple of years.

Nirav Dalal

Okay. So, it would be included in the number that you've described?

K. Jayaraman, Managing Director and Chief Executive Officer

In the last quarter, we've added how much out of the 8.5 lakhs?

Nirav Dalal

2.5 lakhs. Right 2.5?

G. Subramanian, Chief Financial Officer

About 2.5 lakhs.

Nirav Dalal

Okay. And then in this --

K. Jayaraman, Managing Director and Chief Executive Officer

8.5 lakh is on the DAS area.

Nirav Dalal

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

That towards the last couple of years, our efforts have been going as you know for several years.

Nirav Dalal

Okay. Got it.

K. Jayaraman, Managing Director and Chief Executive Officer

In this last two years.

Nirav Dalal

And that just would be upto 31st of March?

K. Jayaraman, Managing Director and Chief Executive Officer

This 8.5 lakh is 31st of March.

Nirav Dalal

Okay, okay. That's what I want to know.

K. Jayaraman, Managing Director and Chief Executive Officer

Cumulative 8.5 lakhs in DAS area is as of 31st of March and cumulative DAS plus non-DAS area as all India put together is 2.1 million.

Nirav Dalal

2.1 million, yeah. Sir, and the next question is when TRAI says you have to carry 500 channels, then how would the carriage fee come into the picture?

K. Jayaraman, Managing Director and Chief Executive Officer

Carriage fee will go up, because more channels are there. Carriage fee is not to go --.

Nirav Dalal

You got to...

K. Jayaraman, Managing Director and Chief Executive Officer

Earlier, Hathway was doing on 80 channels on a consolidated basis certain amount of carriage fees.

Nirav Dalal

Right.

K. Jayaraman, Managing Director and Chief Executive Officer

Which largely many are aware. Now with 500 channel per unit may fall down but in terms of volume it should be the same.

Nirav Dalal

But then won't you have to carry those 500 channels?

K. Jayaraman, Managing Director and Chief Executive Officer

No, no I have to set up a capacity for 500 channels.

Nirav Dalal

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

And the guy has to approach me, if the guy approaches me I will say that this is the cost of carriage and that has been kind of recognized by TRAI basically.

Nirav Dalal

Okay. So that is what...

K. Jayaraman, Managing Director and Chief Executive Officer

Only thing they say, if I go and ask for a channel then I can't simultaneously demand carriage also.

Nirav Dalal

There is where my question...

K. Jayaraman, Managing Director and Chief Executive Officer

That doesn't -- with the other person from giving also.

Nirav Dalal

Okay, okay. But then you don't have to as per the order you don't have to go to them and tell them I want to carry 500 channels?

K. Jayaraman, Managing Director and Chief Executive Officer

They will come and inspect and I will put 500 channel plan, typically it is like a plan.

Nirav Dalal

Okay, okay.

K. Jayaraman, Managing Director and Chief Executive Officer

I don't have to operate the 500 plan with channel.

Nirav Dalal

Okay. You just have to address that?

K. Jayaraman, Managing Director and Chief Executive Officer

I just have to keep the capacity spare.

Nirav Dalal

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

The moment in XYZ channel comes and say, hey you have 500, you please put it. Then we will sit and discuss the commercials on that.

Nirav Dalal

Okay. But then you don't have to carry...

K. Jayaraman, Managing Director and Chief Executive Officer

No. If I carry then I am gone. Where will I carry?

Nirav Dalal

That's what...

K. Jayaraman, Managing Director and Chief Executive Officer

Can't put anything. I will put the rack. I will prove the wiring and they will give you the power there basically.

Nirav Dalal

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

The moment in XYZ channel comes and we negotiate the commercial, then the signals will be injected.

Nirav Dalal

Right. Okay. Okay. Thanks a lot.

Operator

Thank you. [Operator Instructions]. The next question is from the line of -- Master from USF. Please go ahead.

Analyst

Hi. Hello, sir. I actually got cut-off when you were talking about the CapEx for the 500 channels. So, I just wanted to clarify. So, there will be 50 crores nationally to add the -

K. Jayaraman, Managing Director and Chief Executive Officer

No, what we said was that incremental CapEx because we've already put 250 channels in most of the cities actually.

Analyst

Right.

K. Jayaraman, Managing Director and Chief Executive Officer

So that is already a sunk capital cost. With TRAI saying to 500 channels everywhere so Phase I and Phase II in many of the cities 250 channels are up and running broadly on an average basis, 200-250. So, incremental would be because of TRAI saying another 250 at an average of 1 lakh per encoder per channel. It's about 2.5 crores per head-end and roughly about 20 head-ends if we take about 50 crores.

Analyst

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Because there will be more than 20 head-end in which case we will interconnect through fiber or something that really will not require CapEx.

Analyst

Okay. Sir, I remember...

K. Jayaraman, Managing Director and Chief Executive Officer

It's a ballpark figure because Phase II we have to crystal light. As far as Phase I is concerned we know the project cost of 300 crores gross for the cost...

G. Subramanian, Chief Financial Officer

300 crores which includes additional 500 channels.

K. Jayaraman, Managing Director and Chief Executive Officer

Additional 500, it will all be within that range.

Analyst

Because I heard you say something net-net would be some 250 crores to 700 crores.

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, between 200 and 225 crores is what we expect net of the..

G. Subramanian, Chief Financial Officer

collection for the boxes

K. Jayaraman, Managing Director and Chief Executive Officer

In Phase I.

Analyst

Or you mean the collection for the boxes?

K. Jayaraman, Managing Director and Chief Executive Officer

Collection for the boxes.

Analyst

Right.

K. Jayaraman, Managing Director and Chief Executive Officer

And overall for Phase I and Phase II, cumulative would be 1,000 crores, and net would be 700 to 800.

Analyst

So the net payout would be 700 crores?

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah. Because something what we collect from the customer is subtracted.

Analyst

Right. And in terms of broadband, what is your broad strategy as to, how many subs you want to have subscribers you want to have by say 2015, '16 post digitization?

K. Jayaraman, Managing Director and Chief Executive Officer

We don't give any guidance on that. But, obviously broadband is a very key part of the whole strategy. And...

Analyst

Yeah.

K. Jayaraman, Managing Director and Chief Executive Officer

The success of cable television is a function of our ability to bundle both these services. But not all our cable television subscribers will take a broadband service, only a certain proportion will take it. But on a compounding basis we are growing at minimum 20% every year. If you see our track record also, minimum of 20% we have been.

Analyst

In subscriber additions.

K. Jayaraman, Managing Director and Chief Executive Officer

In the revenue.

Analyst

Okay. So,can we assume it will be..

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah, that is the least picture.

Analyst

20% of your subscriber base.

K. Jayaraman, Managing Director and Chief Executive Officer

I can't say again. If you're indirectly again asking the same the thing, I cannot answer that.

Analyst

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

You know Obviously subscriber numbers will grow a faster rate then the subscriber revenue. That's very simple. You should know that.

Analyst

And in terms of Phase II, most of your subscribers are there. So, are you seeing any friction from the LCOs or are you still very optimistic on Phase as well?

K. Jayaraman, Managing Director and Chief Executive Officer

Actually Phase II also we are quite optimistic because in some of the cities like Bangalore, Hyderabad, Pune then central region there three cities are there, Indore, Bhopal and Jaipur. And then these cities where we are very largely present, we are almost at about 40%, 50% depending on city-to-city penetration and it still has one year to go. So, I think in these cities since we have done rapid voluntary digitalization, it has moved very fast. Now, there are some Phase II cities in Gujarat like Ahmedabad, Rajkot, Surat and Baroda where I think a little more work needs to be done, it's at about 10% level today. But we are sure there also we should be able to get it, where these are highly prosperous area and about Rs. 500, Rs.

750 per per set-top box is not a big issue. But the other city that I mentioned we have had very good penetration of set-top boxes on a voluntary basis. At least Hathway is concerned, we are pretty confident even in phase II.

Analyst

Okay. So, keeping that in mind sorry, just a related question. We know that many MSOs aren't prepared with their boxes. So, are you seeing any opportunity to get subscribers from the other guys like the Hinduja's or the....

K. Jayaraman, Managing Director and Chief Executive Officer

Surely. That is outside the scheme of numbers that are at present rate. That is bound to have a huge opportunity basically because customers will be demanding good quality service.

Analyst

Right. So, in that are you looking for primary subscriber acquisitions or is that a strategy?

K. Jayaraman, Managing Director and Chief Executive Officer

Subscriber acquisitions because DAS has takes off. We have already mentioned in the previous conferences also. They have changed the strategy and pushing for distillation which eventually actually means that you want the subscriber anyway because you control the subscriber management system. And later on after DAS is settled down properly, if the LCO, small LCO wants to dispose of, we may consider depending upon the value that he quotes. Because it doesn't really make sense to buy an analogue subscriber now when DAS is gone and then subsidize the box and then add to the cost basically?

Analyst

Okay. Thank you sir. Good luck.

Operator

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

Swati Nangalia

Yeah. Thank you for taking my question. My first question was related to the payment system. Now, in a DAS scenario where we need to provide an a-la-carte offering and the choice of multiple bouquets similar to what a DTH provides. How are we planning to manage this system of payments, is it similar to a recharge coupon or online recharge available as in case of DTH or will the current LCO collection system prevail?

K. Jayaraman, Managing Director and Chief Executive Officer

See, what we will do, we've still taking to the MSOs and LCOs. TRAI has put one thing, that the billing is on onus of the MSOs basically. That has come out very clearly. So, we'll be generating the billing and giving. Now, TRAI has also said in the recommendation that, you can offer prepaid. But you can't compel at the moment.

So, there is a Rs.100 offering Swati.

Swati Nangalia

Yeah.

K. Jayaraman, Managing Director and Chief Executive Officer

Then, there is a Rs.150 offering. So, it is not really a-la-carte means, somebody won't take a 25 paisa or Rs.10 or Rs.25 et cetera. Rs.100 is a minimum for BST and Rs.150 is the minimum for a pay under BST, which is very similar to what DTH guys are also currently offering. Now, there are couple of ways in which we are just thinking of the solution. We will revert to you later. One of the way we're looking at LCO to give a recharge card.

We say that, we'll give you say Rs.50,000 worth kind of stuff.

Swati Nangalia

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

And then he self, he gives me that 50,000. That kind of stuff is what we're looking at. Where you take the money from the LCO upfront and then, with the recharge kind of card he does it basically.

Swati Nangalia

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

And then he may choose to collect prepaid or postpaid doesn't matter to me.

Swati Nangalia

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

That is one way that we may plan to tackle. We are trying to conceive the idea but I think as the little bit of dust settles down, we'll all move towards repaid and either cheque payment or an online payment or -- kind of technique payment et cetera. These are options that we are looking at. But however the ARPU are not going to be anything less than 150 in Bombay and Delhi.

Swati Nangalia

Okay. And my second question raised to the digital subscriber addition, now in the current quarter if we've added this 2,50,000 -- it means that we've actually added higher than the single largest DTH operator in the current quarter?

K. Jayaraman, Managing Director and Chief Executive Officer

No, no 2,50,000 we have ordered -- we have added across all the cities not into that city, sorry.

Swati Nangalia

Yeah, so which means that at the national level, we've actually added higher than any single larger DTH operator. And which is I think the first time, with the last few years this is happened.

K. Jayaraman, Managing Director and Chief Executive Officer

No, I don't, what is the DTH operator -- in Q4?

Swati Nangalia

So, for instance Bharti numbers which came out of the net level they have added 170,000. And dish TV also one-is-one expecting more than say 2 lakh odd.

K. Jayaraman, Managing Director and Chief Executive Officer

In a month or in the quarter you are saying madam?

Swati Nangalia

In the quarter, in the quarter.

K. Jayaraman, Managing Director and Chief Executive Officer

Quarter, we have 250,000.

Swati Nangalia

Yeah. So...

K. Jayaraman, Managing Director and Chief Executive Officer

Q4, we have added 250,000, which will comprise of the proposed DAS cities and the Phase II cities of DAS both together.

Swati Nangalia

Right, right. So, at a national level, what I am asking sir is that at a national Hathway as a company has probably added as much or more than a DTH operator.

K. Jayaraman, Managing Director and Chief Executive Officer

That is because I think those guys have all slowed down.

Swati Nangalia

Right, right. So, what my question was sir, that why was -- on my previous question was relate to the customer experience that if now we have reached a level where probably MSOs are adding run rate, which is higher than a DTH operator and given that the cost benefit we enjoy be it the SEC, which is lower than a DTH guy? Also to the extent of what the customer needs to be pay to turn digital in a cable environment is much lower. Do we see from hereon the leverage actually sustaining in terms of cable operators, where we start incrementally taking more of the market because earlier when we've spoken you've maintained the 50:50 is what would share the between DTH and cable. Do you see that shift now more towards cable?

K. Jayaraman, Managing Director and Chief Executive Officer

Very difficult question to answer. So, many questions put in one.

G. Subramanian, Chief Financial Officer

That will happen as a market evolve. And like Mr. Jayaraman said that is a net addition of the DTH guys. It is possible that the DTH guys were also cleaning their subscriber numbers. And therefore the net adds were low. You have to actually look at the gross adds of the DTH. So, you may not be comparing like-for-like entirely.

So, we shouldn't get overexcited about Hathway overtaking DTH and all that. So, don't get overexcited on that front yet.

The jury is still out on Google when this --.

K. Jayaraman, Managing Director and Chief Executive Officer

Because the gross add is what we have to take. Maybe I think they have cleaned up the data base, that maybe a good.

Swati Nangalia

Yeah, but the churn rate for the DTH is typically on a higher end compared to what we would be facing so that is something which...

K. Jayaraman, Managing Director and Chief Executive Officer

I cannot say it will be very difficult with so many investors, so many analysts on the conference it would be right on the part to comment on the DTH industry.

Swati Nangalia

Okay, okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Don't want to comment on that.

Swati Nangalia

Alright. And largely just a more of broader level question, what one is seeing a trend which changing globally is where consumers are moving towards the internet to watch television and you've seen players like see the larger cable operators Comcast losing close to Rs. 40,000, Rs. 50,000 subscribers on the quarter basis because they're shifting towards --. Given that the internet penetration is still very low in India but we have seen the switch over to wireless in terms of mobile happening at an accelerated pace. So, do we see internet as a threat for our business model maybe three to five years back in time.

K. Jayaraman, Managing Director and Chief Executive Officer

Yeah. We are looking at it, Comcast has added 40,000 subscribers for a quarter. We would not be too far away from that kind of level. Swati, I can tell you, although we cannot share it on the forum now. But, of course you can't compare, because ARPU there if you convert to rupee into dollar and then you convert it into the huge sum. We are looking at a $10 ARPU here Comcast might be looking at $40, $50.

Swati Nangalia

Sir, I am talking about Comcast loosing these number of subscribers to the...

K. Jayaraman, Managing Director and Chief Executive Officer

These number of subscribers at the ARPU level that is prevailing in India which is $10, is not at all an undoable task for Hathway. 40,000 a quarter.

Swati Nangalia

Yeah. That's the number of subscribers you are loosing sir on a quarter, because they're moving towards the Internet. So these consumers which you are watching the channels.

K. Jayaraman, Managing Director and Chief Executive Officer

I am only saying that, while I may loose something in DAS, that I may parallely add broadband subscribers also.

Swati Nangalia

Okay.

G. Subramanian, Chief Financial Officer

I think Swati it is premature at this point of time to conclude that in our country we will go the Comcast way immediately. Eventually yes, over a period of five to 10 years probably consumers may migrate. But that is where cable is much better positioned. When they migrate, we also have the alternate solution. So it is not as if they are going to migrate away from cable, they are going to migrate from one form of access to another form of access. So at the end of the day, it's still a win-win game as far the s cable television operator is concerned which therefore differentiates us from DTH.

K. Jayaraman, Managing Director and Chief Executive Officer

But the same content, we in India we don't expect customers to move because obviously Internet does not have the same kind of content that you get in cable. So still people who keep cable and then move for broadband, rather than one way or the other. In U.S. it is moved for several reasons which is another debate altogether. But a guy moving in India leaving a cable for Rs.150 and moving to a broadband which is Rs.400 can't happen because at Rs. 150 he is getting more content here.

So, he wouldn't really move in an analogue scenario.

Swati Nangalia

Okay. Fair enough.

K. Jayaraman, Managing Director and Chief Executive Officer

Only that he gets the internet access that he is paying Rs. 300 or 400 today.

Swati Nangalia

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

I don't think people will ditch the content here in India yet because its so cheap it's Rs. 150 to Rs. 200.Where as in Comcast, the content of like would have cost probably Rs. 1000 on a like-to-like basis.

Swati Nangalia

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

That is now right now. I mean that's not the situation here.

Swati Nangalia

Okay. It is my last question sir, given that our focus in the near-term will be more towards incrementally adding more digital subscribers whose monetization may happen with a lag. Will it be fair to assume that over the next few quarters, we might not see a significant upscale in our financial numbers. And thereby one should actually be monitoring our digital subs. So, operational relating is what one should be looking out for Hathway. And maybe the next two, three quarters we would not see a material jump in our financial numbers?

K. Jayaraman, Managing Director and Chief Executive Officer

To the extent of DAS boxes that we have put, there will be a monetization starting from July, correct. Out of the 2.1 million say, 800,000 we have put in DAS area. So far they remain non-monetized or unmonetized that will start from 1st of July. The balance 1.3 million would be in second phase of DAS area, third face of DAS area. They would take to monetize at the time when the D day happens there.

Swati Nangalia

The subscribers which have turned digital, your sense is that the monetization will happen instantly. So, there would not be a like once if subscriber turns digital to what.....

K. Jayaraman, Managing Director and Chief Executive Officer

In our monetizing, we've taken a 15 day, one month.

G. Subramanian, Chief Financial Officer

Swati, what we have done what we typically do is we take September, October as a cut off point and do it. There is more for conservatism. Like Mr. Jayaraman has rightly pointed out, when the switchover happens, it happens overnight. It it not as if it is going to happen over a period of three, four months. But you know, I'm not giving guidance,m but whenever you're modeling, you have to be a bit conservative. So you must take it somewhere in the quarter beginning 1st of July.

So, 1st of October, sorry. Just to be safe, because there are several things that can happen.

Swati Nangalia

G.S, I was come to the point of view that once the subscriber turns digital for our contract which is renegotiated with an LC or a broadcaster, it might be sometime for the entire slowdown to happen to us.

K. Jayaraman, Managing Director and Chief Executive Officer

Three months. So, you take 1st of October to give that lag of 90 days. If at all any material impact has to be felt in the number, you should assume Q3 and not Q2.

Swati Nangalia

Sure, sure. Okay, fine. Okay, that was helpful. Thank you and all the best.

Operator

Thank you. Ladies and gentlemen, due to time constraints we will take one last question. The last question is from the line of Satish Kothari from ICICI Securities. Please go ahead.

Vikash Mantri

Good afternoon, sir. This is Vikash Mantri here. Just wanted to understand that the April 8,50,000 subscribers, do you have that 35% revenue shares negotiation already done with them or that is yet to be done?

K. Jayaraman, Managing Director and Chief Executive Officer

35% is not negotiation, 35% is fixed by TRAI.

{A:Vikash Mantri:} Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

There is no negotiation. The negotiation is for the balance 65%, which is to be shared between the MSO and the content provider, which is left to four --.

Vikash Mantri

No. Even the 35%, you could have to pay anywhere within 35% to 45%?

K. Jayaraman, Managing Director and Chief Executive Officer

No, no, no, we don't intent to pay, we've only intent to pay 35%

G. Subramanian, Chief Financial Officer

Mr. Jayaraman only said that they will push for 45 but that is not there in the law.

K. Jayaraman, Managing Director and Chief Executive Officer

That is not in the law.

Vikash Mantri

No, I enjoy. Let me clarify. For the 5% who may I take BST, we might have to pay 45%, so sir I am saying that 35% need not be negotiated the day we turn digital into DAS environment, that 35% rule gets start to play out?

K. Jayaraman, Managing Director and Chief Executive Officer

Absolutely.

Vikash Mantri

Okay. Thank you. Second thing is there sir, what in term of our carriage fees that we expect now given that we go digital on July 1st whatever day, shouldn't be immediately go down significantly at least in the metro areas?

K. Jayaraman, Managing Director and Chief Executive Officer

You see we have the composite contract for all the areas, including the metro area. Carriage fee is not -- we don't do contract only for the metro areas and the non-metro areas in Hathway since we are a national player. So I think all this carriage fee while we have been arbitrating in various forums that it will reduce by 50%, Hathway is very clearly saying that it will reduce by 50%, it is not that we have not said. But in reality I think the broadcaster would also want all their channels to be carried and packaged well. So, I think they would also be better advised they will come and negotiate and then status --.

Vikash Mantri

No, sir, in the metros at least the capacity from whatever 40, 50 channels to 250 immediately and 500 afterwards. They would given the significant increase in capacity, carriage fee should at least go down immediately as a negotiations, the broadcasters like, you would try to negotiate lower content cost, then would negotiate a lower carriage fee or whatever you putting on as a ROI at the TRAI?

K. Jayaraman, Managing Director and Chief Executive Officer

We really think that the news broadcasters are the once who would be wanting to negotiate a little harder, because the news broadcasters have had a little difficult run on their business front. But if you look at the GEC guys, they are all -on running. So they would want all the channels to be viewed either on DTH or on DAS from the next moment when this thing happens. So, I really, in practice I really don't think that, it is going to be such a substantial down fall, but then in the past several investor conferences, we have ourselves adequate 50%.

G. Subramanian, Chief Financial Officer

Yeah. We have, Vikash.

Vikash Mantri

Yeah.

G. Subramanian, Chief Financial Officer

I don't know if you recall we have always spoken of a decline of anywhere between 30% to 50%.

Vikash Mantri

No, sir that I agree over a longer term but I was assuming that which ever market goes -- that should happened immediately.

K. Jayaraman, Managing Director and Chief Executive Officer

See, nothing will happen.

G. Subramanian, Chief Financial Officer

When you model it, you model it immediately that is your...

K. Jayaraman, Managing Director and Chief Executive Officer

That's good.

Vikash Mantri

But it's not about modeling or not. The question was it will happen or not.

Corporate Participant

[Non English].

Vikash Mantri

Okay. Second thing sir, what the TRAI document does not very clearly talked about role and obligations of the MSO and LCO in terms of collection of ARPU or...

K. Jayaraman, Managing Director and Chief Executive Officer

QAS is expected in the next few days. As part of QAS norms, the --expect in near few days.

Vikash Mantri

So, in the 35% share now that, you might ask LCO to collect the money, he might ask money or that as well?

K. Jayaraman, Managing Director and Chief Executive Officer

No, 35% is a total revenue share to him.

Vikash Mantri

No, if that does not define what role he has to play after getting 35%, whether he would charge you 5% for going and collecting the ARPU?

K. Jayaraman, Managing Director and Chief Executive Officer

Just a minute, what has happened is that the QAS norms are yet to be out, so we will wait for the QAS norm. The only thing what TRAI has so far stated is billing has to be generated by the MSO and given to him. Certainly, we don't intend to collect the full money, he will go and collect and the total revenue share to him is 35% because in the -- also, he was paid 25% revenue share for the pay channel, for which the collection was done by him only. Even in the earlier -- of --, then we paid him 25% for pay channel, we were not paying him extra, although he was only collecting the money and remitting the balance money to us.

Vikash Mantri

Okay. Sir in terms of the presentation that you are making to the LCOs in terms of the business plan what is the kind of reduction and revenues for LCOs are you showing them?

K. Jayaraman, Managing Director and Chief Executive Officer

While we are showing some reduction on first TV, currently he is not getting any revenue on multiple TV. So, we're showing at downside on the first TV and a upside on the multiple TV.

Vikash Mantri

No, on a net overall basis, how much does it end up losing, assume and population has x percentage of second TVs and third TVs?

K. Jayaraman, Managing Director and Chief Executive Officer

That model I don't want to share in the open forum because that is a very ....

Vikash Mantri

Okay. Let me put it this way. The model is based on the significant assumption that in the entire wireless chain is the LCOs that loose out or they also are not so big looser? Let me....

K. Jayaraman, Managing Director and Chief Executive Officer

So, we'll loose out definitely. LCO will loose out. LCO will have to get balanced out obviously.

Vikash Mantri

Okay. The business plan is not that the consumers will end up paying significantly more and that is where the money will move from there to the?

K. Jayaraman, Managing Director and Chief Executive Officer

It is Rs. 175 we have told you just back. Consumer we are not increasing Rs. 1 beyond Rs. 175.

Vikash Mantri

Okay.

K. Jayaraman, Managing Director and Chief Executive Officer

Plus taxes of course.

Vikash Mantri

Okay sir. Thank you. Thank you for the answers.

Operator

Thank you. That was the last question. I would now like to hand the floor over to Mr. Rohit Dokania for closing comments. thank the management of Hathway for taking time out for this call. So would you want to make any closing comments?

Rohit Dokania

I would like to thank the management of Hathway for taking time of for this call. Sir, would you want to make any closing comments?

G. Subramaniam, Chief Financial Officer

I will make it on behalf of the company. I think we now wait hopefully without any mishaps, that this time DAS will go through. If at all there is a worse case scenario, we can think of probably there could be a couple of weeks or couple of months of delay but not more than that. And all the investments that we have made through in the last few years we should be able to reach the benefit of that. That sort of summarizes our state of play at this point of time. Hello.

Rohit Dokania

Farah, you could you close the call now. Thanks.

Operator

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