# “Hathway Cables & Datacom Limited Conference Call”

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**MODERATORS:** **MR. ROHIT DOKANIA**
**MR. K. JAYARAMAN**
**MR. G. SUBRAMANIAN**

**Moderator:** Ladies and gentlemen good day and welcome to the Hathway Cables & Datacom Q2 FY'11 results conference call hosted by B&K Securities. As a reminder, for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would 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. A very good afternoon to everyone and I would like to thank all of you for taking time off for this call. We at B&K Securities are pleased to host the Q2 FY'12 results conference call Hathway Cables and Datacom. We have with us the management team of Hathway represented by Mr. K. Jayaraman, the CEO, and Mr. G. Subramanian, the CFO along with other senior members of the team. We will begin the call with a short commentary by Mr. K. Jayaraman and the results and may be on digitalization as well and then we will move into the Q&A. Over to you Sir.

**K. Jayaraman**: Good evening to all of you. I am very pleased to host the investor conference along with our finance team and briefly talk about the results of the company and the update on the digitalization. The first thing we would start this on the standalone results. Standalone total revenue for Q2 FY'12 was I will tell all figures in Crores rounded up the nearest Crores. Standalone Q2 revenue was 129 Crores as against Q1 FY'12 of 122 Crores versus Q4 FY'11 of 123 Crores. So it was 123 in Q4 FY'11 roughly about 123 in Q1 FY'12 and 129 in the Q2 of FY'12.

Standalone EBITDA was 19 Crores for Q1 FY'11 around 19 for Q1 FY'12. 22 Crores for the current total ended Q2. So that was the quarterly results. With respect to the half yearly results based on half yearly for half year ended FY'12 we had standalone revenue of 251 Crores and EBITDA of 41 Crores for the half year ended FY'12 as against that for half year ended FY'11 we had a revenue of 230 Crores. So the 230 for the previous I think in that we have 251 and the EBITDA for the half year ended FY'11 50 Crores as against 41 Crores. This EBITDA of 50 Crores versus 41 Crores one was there in mind for the current year ended FY'12 we have not considered any revenue share or pass through from the subsidiary of the joint venture company, which we are considered into previous half.

The previous year ended September 2010 for the half year ended September 2010 we had roughly about 11.65 Crores, which was a share from all our subsidiary from joint venture, which in this year have not considered. So especially look at if you remove that element in a sense it would be about 38 to 39 in the previous versus the 41 in the current year.

Now taking into account the after other income we are pretty much same 24 Crores versus 24 Crores. For the half year ended FY'12 since we have given standalone I will give you some numbers on the consolidated. After considering our economic interest in the various subsidiaries and joint ventures it would be 62 Crores for half year ended FY'12, which was 30 Crores for the Q1 ended FY'12 basically. So 30 have become 62.

Cash on hand as on September 30 was 90 Crores. Net debt repaid during the first half was 52 Crores. Premature debt at the end of September 30 is 223 Crores as on September 30 correspondingly in the previous quarter ended September 30, 2010 it was 293 Crores. Debt equity stands at 0.27 as on September 30, 2011. Incremental capital expenditure during the six months ended September 30 2011 was 68 Crores. The standalone EBITDA for the half year ended was 41 Crores but it does not consider approximately 12 Crores, which was there in the previous half year of the September 2010, which was share of surplus from subsidiaries.

Now coming to breakup of revenues on standalone basis. For half year ended FY'12 total revenue as I told you is 251 Crores on operating sides. The breakup of that is cable revenue I will give comparison of half year ended FY'12 versus half year ended FY'11. Cable subscription revenue for previous of FY'11 was 66 Crores as against that we have had 71 Crores of the current half year. This was revenue for H1 FY'11 was 85, which is 104 Crores. H1 subscription revenue which was 57 for half year FY'11, 66 Crores for half year ended FY'12.

Other operating income which was 22 Crores for half year ended FY'11 is 10 Crores. That is what the 12 Crores, which was basically the pass through from the subsidiaries, which we have not taken to account this year. So some of the subsidiaries will also need revenues and the profits for the digitalization.

Other non-operating income which is interest income, which was 9 Crores for H1 FY'11 is 8 Crores. So therefore, H1 FY'11 our standalone income was 239 Crores including the 12 Crores was one time in nature the previous half as against this without that in the current half it is 259 Crores.

Other salient features as follows; on a roughly since we are giving consolidated only with our economic interest just to give you some other perspective. In terms of gross revenue on a consolidated basis that was 431 Crores for H1 FY'11 as against that it is 493 Crores for H1 FY'12. These are total gross revenue. 431 Crores for the previous H1 FY'11 versus 49 to

50 Crores for current H1 FY'12 that represents a 60 Crores jump almost of the 12% to 13%. With economic interest for half year ended FY'12 I told you the figure is 62 Crores. During the half year ended FY'12 we had incrementally deployed about 2,65,000 Set Top Boxes mostly on voluntary basis. As against that half year ended FY'11 for the six-month previous corresponding period we had 1,60,000. So we have put 1-lakh boxes more. Gross Internet subscriber added during the half year ended FY'12 was 55,000 as against that for HY FY'11 it was 61,000.

So these are some of the key highlights on the financial numbers. Coming to the next part, which is on digitalization. We have had the providential accent for the digitalization, which is all now that DAS digital addressable system. That cassette has been signed and it is expected to be proved or rather passed current inter session. That is going to start probably next week. We also have the notification that is likely to come in the next few days on the official date. We expect that because there has been a six months gap is required. So may be a month, month and a half it might be we expect somewhere June 1 or so or around that time we should really start us paying. Some people expecting it will be June 1 or it will be June 30 but the final notification including amendment of rule was the issues now. So that is where we stand on the official notification.

On the Set Top Box side we have gone ahead in order for the incremental requirement of Set Top Boxes from the vendors. We have also last quarter enhanced our back end compression capacity through Ericsson. We will now be adding up further channels in cable. So in effect we would like to have 400-channel capacity on the other back end because the cables really have brand with constitutional addressable concept. So we should be able to give at a minimum of 400 channels. We are offering more number of channels we would be much better priced in DTH for the same market and secondly by offering more supply or more number of channels we would be able to retain the carriage and placement revenue. Because it is so much more that we can offer today of full service DTH can offer about 200-250 channels as against that full service cable digital will offer about 400 channel. So that will mean monetization through subscription and monetization through carriage, which may not be possible.

So enhancing 400 channels from the current 200 and 250 channels and that we should complete in the next could of days. We still have a long time. During the previous quarter also we have done a soft launch of a HD product in Mumbai, Delhi, Bangalore and Hyderabad. The product is successful and it has been commercially launched now. We have had in the initial one these above in Mumbai is above 1200 offtake. We have capacity for 20 channels against that the currently offer about 8 to 9 channel. Set Top Box we show that box rate there would not be any fluctuations and we would be recovering the content cost.

At the moment we are not subsidizing neither the cost of the box nor the content cost but what we want to do is we want to bundle it with our broad bank and offer it at a combo price, which would be far more attractive than standalone offering the thing is that. As also since we have a large directs subscribers base. We would be able to bundling along with the large where we were the last make.

On the broadband side where there has been some slight dip in the gross side number but in terms of ARPU increase we have been able to successfully increase ARPU by about Rs.25 to Rs.30. ARPU currently stands at about Rs.300 and then was 270 to 275 sometime last year. So we are well on way to increase the EBITDA as compared to previous at the least by 25% to 30% and with the HD services being combined with our broadband services we would be able to offer much better take and profitability there. So that is where are summarizing our quarterly and half yearly performance. Now I may request analysts to ask for any questions.

**Moderator:** Thank you Sir. Ladies and gentlemen, we will now begin with the question and answer session.. Our first question is from the line of Aashish Upganlawar from Spark Capital. Please go ahead.

**Aashish Upganlawar:** Sir waned to know what are the consolidated numbers, what are the ballpark numbers you could share with half year as well as the quarter?

**K. Jayaraman:** Consolidated we have shared the total revenue, which is 493 Crores and also the EBITDA with our economic interest, which is 62 Crores. So these are the two numbers that we are able to for the half-year ended.

**Aashish Upganlawar:** For the quarter how much was it?

**K. Jayaraman:** The quarter we have not given but for the half year ended it is 62 Crores, which is there in the press release this is our economic including our economic.

**Aashish Upganlawar:** Sir, on the digitalization bit could you tell us where have we progressed in the last quarter conference call on the respond from the LCR or basically the execution site of which needs to be monitored or rather needs to pick up in the next six months given the opportunity.

**K. Jayaraman:** I think in the city of Mumbai where we address the market Hathway is the most ready MSO because I think we have already covered 40% plus of our universe. The non-digital market already because we started setting the boxes far before other MSOs. Delhi probably we would be about 25% ready now already that we have. These are estimate for the first TV only there will be second TV and all that has to be addressed. Purely on the first TV estimate basis we would be 40% to 45% ready in Bombay and 20% to 25% in Delhi. So that is where the rollout stands. As regards the LC will have started pushing the boxes. They are aware about the presidential notification and the government notification on digital addressable system. With regard to revenue share we have not yet talked about revenue share to the LCOs. I think we still have some time. We are looking at June 1 date or so. Now it will not be the April 1. We sill have five to six months to go. So I think on the revenue share while we may all decide to speak it to the LCOs only after couple of months still too early to speak about that.

**Aashish Upganlawar:** No resistance at all at this moment, are they entirely in cooperation with us on this or not?

**K. Jayaraman:** At the moment they are putting the digital boxes though because definitely they need to install the digital Set Top Boxes and very clearly they will know that the date arrives the digital box price may be increased so because there will be huge demand and therefore the price would be increased. So currently we are giving it about 600, 650 in this kind of a range but there are clear indications from any MSOs as the DD approaches. Price of the Set Top Box will be increased and therefore the subsidy would be reduced. I think at least in Bombay people taking advantage of that but I am sure in Delhi also in the next two months we will be offering this last bit of price in the current level.

**Aashish Upganlawar:** How would the customers are? Is there awareness among the customers as of now or subscribers basically and how do you see it going because their awareness is also important in seeding the Set Top Boxes within the short time that we have. So how do you see this progressing because we have seen any kind of advertising of this neither from DTH nor from cable? So how is it seen from your end?

**K. Jayaraman:** We have not substantial amount of money to be spent for the Bombay, Mumbai and Delhi for this marketing but we will be starting to spend that clearly about three to four months before the onset. We are using our own local channels and our own local resources to feed the boxes. So we expect to spend our own money in the way. So once the government notify this the government is also going to spend some amount of money their resources were to ready DAVP and other things to publicize that there would be a concept date and there are analog will not be there. That element is going to come after the notification is done.

**Aashish Upganlawar:** One final thing on the cash that you said about 90 Crores that you have on the books now. So I think we have repaid some more debt. So do you see yourself going back to the banks for loans because this cash only sufficient to carry us further?

**K. Jayaraman:** But we are showing the vendor, which we have already either way whether it is vendor services or whether it is a bank loan it is anyway borrowing. So I think we will explore vendor credit and thereafter borrowing. So there may be a little bit of increase in our borrowing. So borrowing would be essentially net of what we recover at activation channel some incremental borrowings in the form of vendor credit or in the form of rest of the dealers.

**Aashish Upganlawar:** Thanks a lot.

**Moderator**: Thank you Sir. Our next question is from the line of Alankar Garude from Edelweiss. Please go ahead.

**Abneesh Roy**: This is Abneesh Roy. My first question is on the HD. You said that you are offering currently 8 channels out of 20. Could you tell us on the standalone basis whey you are not offering Internet. How does our cost to the customer compare with how the DTH operators are offering HD?

**K. Jayaraman:** I do not offer a combination with the broadband effectively where I own the last mile, the standard definition is roughly about 350 orders without broadband.

**Abneesh Roy**: Whose prices, your price?

**K. Jayaraman:** Prices to the customer.

**Abneesh Roy**: But you are not standalone, so 350 is internet plus HD?

**K. Jayaraman:** Standalone I offer, to my direct subscribers I offer standalone. When we offer it on, we offer it on standalone to our customer direct subscribers, it is about 400 orders, which when we compare to our full service DTH provider it will be cheaper by about 20%to 25%. Also bundle it along with broadband, which is 12 MBPS broadband and 5 MBPS.

**Abneesh Roy**: Are you offering recording facility in this?

**K. Jayaraman:** We are not providing. It is only a pure HD there is no PVR.

**Abneesh Roy**: Sir how do you see, it you see DTH operators are saying 7%-10% incremental s subscribers are coming from HD when your HD services stabilize in Bombay, Delhi and some of the other areas. Where do you see HD as a percentage for subscribers?

**K. Jayaraman:** I think it is too early for us to really comment, but we are saying 10%, we would also ready with of that magnitude. In fact when we are looking at finally completing the ordering the standard definition called digital addressable system. We are also somewhere targeting that kind of situation. What we are really targeting in this whole thing, we are looking at vanilla offering 65% of our subscriber once that starts, then when we offer digital cum broadband the combo would be 20% and digital with high definition and broadband all three would be 15% that is our plan eventually. Because the cable we can offer enough bandwidth for both broadband and also HD, we already have a huge base of broadband, so we are looking that 65% is being wrapper or vanilla and 20% would be digital come broadband and about 15% would be digital, standard definition, high definition and broadband.

**Abneesh Roy**: Sir my second question is, towards the more aggregative DTH operators are raising money and this is largely post the digitalization mandate, which is now getting implemented, my question is earlier you had given one number on expected migration to DTH within these mandated areas of 10%-20%. What would be your view now how much will migration to DTH happen in these areas?

**K. Jayaraman:** I cannot estimate now how much it will happen for each of the network because the current universe itself in analog is the big guess, but I think at least in Hathaway we think that given our penetration already on a voluntary basis we should be able to contain it to about 10%-15% levels.

**Abneesh Roy**: But are you seeing that the DTH guys suddenly get aggressive in the last one month in these areas?

**K. Jayaraman:** DTH guys is getting aggressive in Mumbai and Delhi not to my knowledge in a very expensive manner, except for one or two service providers, which I do not want to name.

**Abneesh Roy**: Sir my last question is on this digitalization mandate again, do we need the parliament approval to be in place?

**K. Jayaraman:** Yes parliament approval has to be in place, but that is given, if the parliament does not approve this then the UPA government will have to fall.

**Abneesh Roy**: No but we know what the opposition will do in the past we have seen lot of things?

**K. Jayaraman:** Not taken the opposition into conference they will not do, why would UPA want to go and commit a suicide for doing a digital.

**Abneesh Roy**: Technically government falls, if it does not do in winter season that how you will put it?

**K. Jayaraman:** It will be there.

**Abneesh Roy**: Okay sir I will come back and thanks for the opportunity.

**Moderator**: Thank you Mr. Roy. Our next question is from the line of Ketan Vadia from JHP Securities. Please go ahead.

**Ketan Vadia**: Sir my question would be, what are the total numbers of subscriber as on date analog plus in digital and how much of that would be on the Set-Top-Boxes?

**K. Jayaraman:** Our subscriber as of today in analog roughly about 600,000 of the direct subscribers about 120000 would be through cable operators totaling about 1.8 million paying subscribers and Set-Top-Boxes would be cumulative period FY'12 H1 1.7 million.

**Ketan Vadia**: DTH guys are remainder of the subscribers, which are presently on the, how much additional investment of require, because we put into Set-Top-Boxes?

**K. Jayaraman:** It is about 7 million box to be added stated in area where they have received it. It would translate to about 6000 Crores.

**Ketan Vadia**: I am talking about Hathaway consolidated?

**K. Jayaraman:** You are talking about Hathaway only in first phase?

**Ketan Vadia**: First phase.

**K. Jayaraman:** First phase only will about 208 Crores.

**Ketan Vadia**: And for all the four phases?

**K. Jayaraman:** I am sorry it will be about 100 Crores.

**Ketan Vadia**: And for the all four phases?

**K. Jayaraman:** Mumbai, Delhi and partial Calcutta.

**Ketan Vadia**: Total for all the four phases?

**K. Jayaraman:** They have not yet computed in great detail. See the first phase, which is Mumbai and Delhi and partial Calcutta would be about 100 Crores, net of the subsidiary basically because we recovered something upfront from the boxes also. Including Set-Top-Boxes plus back end equipment etc., roughly is about 100, that is for Mumbai, Delhi and little bit of Calcutta that we have. These are the estimates based on an assumption that a certain box subsidy would be there and certain recovery would be there. The second question that you asked is about for all three four phases, they we have not really worked because it is little far away.

**Ketan Vadia**: Thanks. I will take it. That is it from my side.

**Moderator**: Thank you Mr. Vadia. Our next question is from the line of Dipoan Shankar from HSBC Invest direct. Please go ahead.

**Dipoan Shankar**: Good evening sir in regard to the digitalization I just want to understand like what will be the CapEx per subscriber you will be involved for this digitalization?

**K. Jayaraman:** CapEx per subscriber on a gross basis is essentially Rs.1300-Rs.1400 per set-top box, which is the landed cost of a set-top box, that is what we will incur, but that is the gross level really assume that you know even at the basic if I get a Rs.500, the SAC for us would be about Rs.900 per SAC or digital DAS customer one time. We may be to add something like about Rs.50 odd for advertising and marketing that would be extra basically, but purely on a SAC basis it would be about Rs.800-900. Rs.700 is the landed cost even assumes I get about 600 rupees from the customer about Rs.800-Rs.900. That is the SAC for us Rs.900 as compare to 2200, which is the minimum SAC for the DTH. a Rs.5000 may be customer may spend on marketing and advertising, that will take you about Rs.9000.

**Dipoan Shankar**: Okay and one more question, how is your offering will it be competitive enough with as compared with your competition and also along with DTH players how do see Hathaway positioned among in this four phases?

**K. Jayaraman:** It is too early to say, what it is or how the competition is there, but I think we may be able to package cable much better then DTH, because we have much more spectrum available than what DTH will be able to offer, so number of channels that we will offer for same price would be far more because there is some many more free channel that we can give, without any extra cost to the consumer; however, we may be able to get advantage because we will get a carriage revenue back, we will be able to offer much more offering, secondly we want to at least in the city of Mumbai where we have a big presence on broadband, digital services of broadband. Combo basis the customer will get much relieved from any brand than DTH, that has proved even in the current HD offering as well.

**Dipoan Shankar**: Okay and the combo will be the differentiation factor?

**K. Jayaraman:** More number of channels on standalone basis and bundling with broadband, I think definitely we should be competitive to DTH.

**Dipoan Shankar**: Thank you.

**Moderator**: Thank you Mr. Shankar. Our next question is from the line of Dimple Seth from SKS Capital. Please go ahead.

**Dimple Seth**: Sir I would like to know what is the impact on the carriage fees and placement fees once is it **(indiscernible) 34.42?**

**K. Jayaraman:** Definitely there will be a fall on the placement fees, but carriage fee would not fall, carriage is clearly carrying.

**Dimple Seth**: And sir what is the percentage of placement fees currently in your total revenue?

**K. Jayaraman:** Definitely constitute somewhere about 30%, placement fee would be 70 odd percent and carriage will be 30%.

**Dimple Seth**: So placement was around 30%?

**K. Jayaraman:** Placement would be about 70% and carriage would be about 30%.

**Dimple Seth**: That is quite high, so your revenues will be hammer down is for the placement fees get reduced?

**K. Jayaraman:** While the placement fees will fall depending up how we do, we can make it up through the fact that we will be offering about 400 odd channels, so we will offer more number numbers of channels in our platform than DTH can offer. Today DTH also gets in bandwidth in the form of carriage, as you know. So while per unit will be less for us, but in terms of volumes, we will be able to make.

**Dimple Seth**: That lag will be immediately stilled up, I mean if this happen digitalization, you will have a fall in your placement fees and then immediately with this will there any subscription you will increase immediately, the vacuum will be filled up Sir?

**K. Jayaraman:** Definitely otherwise there is no business case for doing this system, despite that subscription will at least, we do not loss nay subscriber to DTH what is the declaration level it is about 10% in Delhi, it is about 15% or so 30% in Mumbai. We expect it to go to five to six times in terms of subscription revenue. Both in subscription revenue, even if you take

10%-15% migration to DTH versus all in the placement fee, we discussed about in the previous quarter results also the revenue at the minimum by about three times as compare to the analog.

**Dimple Seth**: Sir when can we expect the nod from the parliament for the digitalization?

**K. Jayaraman:** We have to do it before the close of a winter session. Winter session is starting around third week of November and I think its go on for a month. So before that, sign it they will pass.

**Dimple Seth**: Okay and sir this quarter you have booked a loss of 10 Crores, so going ahead what kind of trend we can see for the quarter?

**K. Jayaraman:** At the net the level we have seen, I will give to Mr. Subramanian, I think from one time kind of a thing on depreciation and amortization.

**G. Subramanian**: I think you are taking out at a PAT level. Because we are continuing to invest into Set-top boxes so that in one next one to two years, we will continue to see fairly significant on account of depreciation. There will obviously be an upside as far as EBITDA goes. So I do not want to at this point of time, hazard a guess by what...

**Dimple Seth**: Actually the EBITDA level also there is a loss of three Crores. The fifth item in the press release, it has three Crores loss. 337 lakhs, if you see the fifth item profit from operation before other income and interest and exceptional item?

**G. Subramanian**: You are looking at the release?

**Dimple Seth**: Yes sir, the release that was given in the BSC.

**G. Subramanian**: That is 3.37 Crores post depreciation.

**Dimple Seth**: Yes sir post, I said EBITDA is a post depreciation.

**G. Subramanian**: You question was when will this turn positive?

**Dimple Seth**: Yes sir.

**G. Subramanian**: My answer to that was as we continue to invest in Set-top boxes over this next couple year, there will be a significant amount of depreciation line item. We will not be turning PAT positive over the next two years, for FY'11, FY'12 and FY'13. Post FY'13 that you will see the benefits of fairly significant jump in EBITDA, which will more than makeup depreciation.

**Dimple Seth**: Okay and sir how are funding the CapEx for the digitalization?

**G. Subramanian**: Mr. Jayaram had mentioned that we are sitting about 100 Crores of cash and about 425 Crores of debt at this point of time, nearing of about 0.27, so we are fairly well placed, our ability to raise additional debt is concerned. Over and above that what we are talking to vendors, even the fact that Hathaway's amongst the largest players in the country, we are able to leverage of that five of the operations to get fairly good commercial terms, with the vendors we are talking of between one and half to two years of credit and even if we go to the market we are talking about we are fairly well placed in that.

**Dimple Seth**: Okay and sir, I missed on the item the total analog subscribers are 1.8 million of which already the once you have the Set-Top boxes is 1.7 million, I am I right?

**K. Jayaraman:** You have to count it like this, there are 1.8 million paying subscribers of which about 0.6 are primary subscribers and the balance 1.2 is a secondary subscriber. We have seeded 1.7 million boxes in the market. But, you must remember that the 1.7 some part of that 1.7 would have been seeded in to our secondary universe.

**Dimple Seth**: Yes sir I will note that and sir I just missed out the initial commentary, the breakup of the revenue as in subscription and the placement fees and carriage fees, can you could just share with us?

**K. Jayaraman:** Now standalone for half year ended FY'12, subscription was 71 Crores, this is standalone I am talking as against that H1 FY'11 corresponding previous of 66 Crores, 6.104 in the current H1 FY'12 previous corresponding 85, internet broadband 66 Crores versus 57, other operating income 10 Crores versus 22, which had in one time of 11.6112 Crores. Interest income for current H1 FY'12 eight Crores previous FY'11 was nine Crores. On a standalone it is 259 Crores versus 239 Crores for the corresponding half and the consolidated revenue H1 FY'11 was 431 Crores, consolidated revenue for H1 FY'12 493 Crores.

**Dimple Seth**: Okay sir thanks lot sir.

**Moderator**: Thank you Ms. Seth. Our next question is from the line of Ninesh Rajani from Tata Mutual Fund. Please go ahead.

**Ninesh Rajani**: Good evening sir I have got couple of questions, first of all out of the universe that you have of subscribers just wanted to get a sense as to what do you envisage how much can be taken away by DTH subscribers that is one sense that I just wanted to get from you because obviously DTH players would be quite aggressive on digitalization mandate becomes complexly what is your sense as far as that is concerned?

**K. Jayaraman:** I think Hathaway is almost 40%-44% done in Mumbai and about 24% in Delhi and so we expect about 15% are so maximum migration.

**Ninesh Rajani**: From you current base too probably.

**K. Jayaraman:** Current base are first TV that we have, but then what happens is that second TV is not known to anybody it is neither known to us nor it is known to the DTH guys consumers knows what is the second TV that we had, so that will kind of make it, although second TV ARPUs would be lesser. On first TV bases to be fair to the DTH players it would be about 15% migrations; we think that we will have. Those are the better state of elements.

**Ninesh Rajani**: Second thing just wanted to understand this what will be total size of the market in the first phase of digitalization, which are the formate, total household will be how much, how much would already be digitalization and what is the addressable marker that we have?

**K. Jayaraman:** We should have roughly about 75000 first TV in Mumbai addressable and the same thing in Delhi, 700000-750000. That could be about 1.4 million and about 200000 to 300000 in Kolkata through our joint venture GTPL. So that would be about 1.7 million on a total basis. That would be the market that we will address on a first TV basis. That is what we will have.

**Ninesh Rajani**: Overall basis out of the current 8 million that we have how much would be in phase I?

**K. Jayaraman:** Out of 8.7 million that we have if I am looking at about 1.4 million so that is less than 20%, so 1.4 divided by 8.7.

**Ninesh Rajani:** I actually thought it would be the other way around?

**K. Jayaraman:** 16%.

**Ninesh Rajani:** Yes I actually thought that the face one in maximum face two would account for more than 80% of the total touch point?

**K. Jayaraman:** Face two will be more face one it is 16%.

**Ninesh Rajani:** Okay face one is basically so approximately 1.7 millions of this what you have in.

**K. Jayaraman:** No, 8.7 million.

**Ninesh Rajani:** Out of the 8.7 million that is right 1.7 million is what you would have okay. Second thing just wanted to get your sense in how tough would it be for you to get in to make the LCOs declare the actual subscriber base which is at one point in time if you have look at one argument LCOs have probably no option because if mandatory digitization comes into place they probably would have no option but on the other end they obviously would be loosing out on more than 70% - 80% of the total revenues in profitability that they would have won and obviously no one is going to let that go so easily. So what is it that the where would the balance be and how much would you have to shell out in order to give the LCO to the final subscriber as one would put it?

**K. Jayaraman:** That revenue share formula has not yet been decided but there has been an empirical case where we have had digitalization mandatorily done in South Bombay and South Delhi the formula that was used by the then tariff order was at 45% would be to the broadcaster and 25% would be to the LCO and 35% to the MSO.

**Ninesh Rajani:** But that is probably the reason at 40% why it was not successful when it was mandatory digitized even in 2007 and hence probably it was in successful in most Southern part of Bombay if I am not mistaken. So what gives you this confidence that a) the LCOs will agree to it and it will be successfully implemented going forward?

**K. Jayaraman:** Let me answer the first question because that is not yet complete your first question answer. Then I will answer the supplement. The first question you have said was that what is the revenue share so there was an indicative revenue share fixed by the TRAI that in the CAS area condition access area the LCO will get 25%, broadcaster will get 45% that is totaling to 70% and 30% was MSO basically. Now there is only a slight change that the TRAI has fixed including with the Supreme Court that the broadcaster at the most we get about 40% or 42% at most 45%. So there is no significant change from that 40% to 45% so whatever pie is available at 60% out of the pie available of 60% earlier the sharing was something like 30 it was almost like virtually half-half that was how the sharing was done digitalization and now we have still not talked to the LCOs about it because there is still time away from here at the LCO will stand to gain more also because he will also get new subscriber because in second TV operator was not paid for buying subscribers, but there was the subscriber level parity that was happening. The subscriber level parity will now vanish.

**Ninesh Rajani:** But that would be quite minimal because not too many people would actually have two TVs like if you take a broad mass into consideration.

**K. Jayaraman:** In Bombay if you take Mumbai and Delhi the second TV percentage is nothing less than 25% to 30%. Delhi would be 50% and Mumbai would be about 25% so weighted average you will reach is about 30% - 34%. So it is not insignificant, LCO will get albeit a lower amount because the ARPU will be lower on second TV but we will still get. So on a total basis he will get he have been get improved revenues there the other thing that we have plan in Hathaway to do is to we have been actually say Mumbai will able to bundle with the broadband. Broadband also he will get a revenue share because we will use this large mile. So in all I think we are hopeful that while per unit we will lose on first TV then somewhat compensate it to second TV which is applicable to the all service providers and also in our case because he may get extra revenue from the broadband also extra revenue from the HD which be import we have. So we are looking at the 65% clapper or vanilla service and 35% combined with HD and also broadband so we have LCOs would stand with 25% they will get some incremental revenue share on both.

**Ninesh Rajani:** Okay fair enough and actually that is it at this point of time if I have anything else I will get back you. Thanks a lot and all the very best sir.

**Moderator:** Thanks Mr. Rajani. Our next question is from the line of Riken Gopani from Infina Finance. Please go ahead.

**Riken Gopani:** Hi, good afternoon Sir. Sir firstly just I wanted to understand on this HD rollout that we have started are we also going to offer the services to the non-primary customers the secondary customers as well as we start ruling out digital services?

**K. Jayaraman:** Yes we have a product for the wholesale business also where we have a bundled product for the cable operators but that we are now going a little slow we will start with our own direct subscribers and broadband. I think in probably a month or so we will go much deeper. Although in South Mumbai we have started offering it to the secondary of the wholesale subscribers also. There is the wholesale price to the LCO which would be the which would cover the total cost of the Set Top Box and the annual content cost for HD that that we will recover it one time because the HD customers would be annual customers essentially they would not be a monthly customer. We will also will be helps you a yearly price Set Top Box and probably annual content and he will pay us upfront and he intend will resell it to the customers whether he chooses to have a margin or not at the moment we have not considered.

**Riken Gopani:** Okay, actually I was asking this question more so because once you start rolling out for the sunset deadline you should be obviously giving an option to the customer to directly go for an MHD box or a normal box. So I am just wondering that what is your strategy going to be there once you start rolling out for that would you provide him an unbundled service as well or that option is not something that you are going to give?

**K. Jayaraman:** No we have unbundled service also at the moment initial launch I have only ordered for a smaller quantity of boxes, which I will be using for mainly bundling, but from January we will have about 50000 odd boxes to come in for the larger universe produce wholesale separately. Mainly that products will be offered but there would not be any subsidy there we could be at cost plus.

**Riken Gopani:** So what is it that you are charging for the box itself I mean what is the SAC that would be there for the box?

**K. Jayaraman:** For us we would not have any SAC because I recover full cost.

**Riken Gopani:** Okay, so how much would that be.

**K. Jayaraman:** The blended cost of the box is 3000 including the smart card and the box. I think we will recover that so we do not think that there would be any SAC for HD subscribers. We will recover the cost at about at least in on day zero.

**Riken Gopani:** Okay, and I am just to understand is there any additional CapEx or what kind of additional operating cost would apply once we have NHD subscriber.

**K. Jayaraman:** NHD subscriber operating cost would only the content cost. We will do content cost per month or per annum which is also not subsidized so it was recovered basically the HD services as far as Hathway is concerned it is cost plus. But the content cost would be depending upon number of channels that I give, the deal that I have stuck and finally ultimately how many number of channels that I will give, but the operating cost would actually the content cost in effect. There are no other operating except some incidents sale marketing cost, some promotion and sales etc., it is actually with fixed cost of subsidiary are separate.

**Riken Gopani:** Okay and sir I also wanted to understand are we also trying to provide Video on demand services on our Set Top Boxes or that is something that we have not yet planned?

**K. Jayaraman:** Demand and all can be planned only after full DAS Digital addressable Services currently there is no bandwidth because all our analog systems are choked, digital system is choked and broadband also we offer. So we will be offer broadband we offer voluntary digital, we offer analog and standard definition and all these stuff. So digital addressable to still happens where we will imply the first to offer the end voice server.

**Riken Gopani:** Post the sunset date if I am said that this offering can be.

**K. Jayaraman:** We have been definitely we have been the offer because we will have huge plan.

**Riken Gopani:** Okay but any study that how much is it currently contributing to revenues or how big an opportunity that could be.

**K. Jayaraman:** No, frankly we have done only a plan for after all this value added services and probably we will be ready in this. All right we are going to launch it and we know the strategy but really pricing and percentage we have not worked on this. Offering is definitely on par we got a current chipsets that I have has the memory so we do not need to have any special boxes for all these. The current Set Top Box that we have we will offer VAS services as an additional channel basis.

**Riken Gopani:** That can be done.

**K. Jayaraman:** It can only be when the sunset happens otherwise we do not have bandwidth.

**Riken Gopani:** Okay, all right that is it sir thanks.

**Moderator:** Thank you Mr. Gopani. Our next question is from the line of Mr. Rajeeve Sharma from HSBC. Please go ahead.

**Rajeeve Sharma:** Hi thanks for the opportunity. Sir you have mentioned that 70% of your revenues were in some of placement but when I see the breakup it is Rs.104 Crores out of Rs.259 Crores, which is 40% placement, and carriage both is 40% so did you mention that 70% of Rs.104 Crores is placement?

**K. Jayaraman:** Yes it is interfere between placement and carriage.

**Rajeeve Sharma:** Okay, second sir can you just give a broad breakup of the current 8 million subscribers you have in terms of how much it would be on analog how much could be your own primary subscribers and how much would be secondary?

**K. Jayaraman:** Out of the 8.3 - 8.7 million that we have as an universe which we rounded of to 9 million right with few decimals so let us saying 9 million. Out of the 9 million we have our owned the subscriber 600000 paying subscribers and about 1.2 – 1.3 million would be through the cable operator paying so thereby totaling about 1.85 – 1.9 million. Now on the universe of 9 million that we have on a voluntary basis we have see that about 1.6 have been in digital subscribers.

**Rajeeve Sharma:** 1.7 million and the rest could be analog.

**K. Jayaraman:** The analog would be 9 million minus 1.7 million if it is about 6.3 million.

**Rajeeve Sharma:** Sir you have mentioned the market for you in Delhi, Bombay around 1.5 this is assuming all the declarations made which is that or correct me if my question if wrong but is this assuming all the declarations are made on the first TV?

**K. Jayaraman:** No, 1.5 million is the potential first TV market that we have in these two segments.

**Rajeeve Sharma:** Currently only one-fifth of that is being reported is that the case?

**K. Jayaraman:** You can take one-sixth to be reported. 20% is that you can take about 15% is reported here.

**Rajeeve Sharma:** 15% is reported and you believe that out of this when you say migration to DTH you are saying that out of this 1.5%, 15% migration is possible but there must be some migration, which has already happened in this, or you already factored that DTH base when you say 1.5%?

**K. Jayaraman:** We are saying that 15% would migrate on first TV and we would also get about like 15% on second TV basically. So overall in terms of net subscriber add it could virtually be the same but basically the second TV would have a lesser output on the first TV.

**Rajeeve Sharma:** Sir pardon me with you are saying that 15% will be your migration or migration to DTH?

**K. Jayaraman:** There will be a 15% migration to DTH and there will be a 15% organic growth on account of second TV. It will be calculated on the same original base for my calculate 1.5 million is the base just for see nobody has at move up how may 1.5 or 1.55 or 1.6 so we are just looking at the estimated numbers that is what we can have. Analog numbers nobody has 110% accuracy. See 1.5 million is my estimated market in Hathway Bombay and Delhi. Up to the 1.5 million let us say that we expect that given our faster penetration 15% may migrate. Why people wound not believe if you say that all 100% will remain with us so 15% could migrate. At the same time today not second TV is being charge because all second TVs are free virtually it was free basically. So it 15% may go at a first TV 15% may come in back at second TV so net-net it could be the same, because you are applying 15% on the same 1.5% base.

**Rajeeve Sharma:** Right sir. Sir one other question here is on the tariff currently what would be your tariffs in Delhi, Bombay and I am sure that they are at 30% discount to the DTH offerings in that scenario do you think with your SAC coming in which is not there currently and do you think that tariffs will go up and also what incremental taxation come so if it is Rs.100 today with all the tax coming in and more transparency coming in what do you think that Rs.100 becomes post digitalization?

**K. Jayaraman:** See the current analog tariffs in Mumbai average would be about Rs.225 right analog cable tariff would be Rs.225 and it should be about Rs.200 in Delhi also given that Delhi has got a little intense competition in analog Rs.225 and Rs.200 so that is the analog tariff currently. Now this is for the full service basically in analog that 100 channels people get etc., what the tariff would be in the digital scenario would need to be worked out because that all depends up on the content cost and the others but to just to give you an idea the full service DTH guys they on an average about Rs.450 to Rs.500 any market whether you are full service I am saying all regional etc., right so Rs.450 to Rs.500 is the full DTH guy whereas the analog subscription in Mumbai and Delhi is about Rs.225 and Rs.200 respectively not range I am not talking about slums etc., I am just talking about efficient. So there is a Rs.225 what is then there is a Rs.450 that was the kind of difference that we have so I think the cable full service would be somewhere in between, somewhere in between not close to Rs.225 current analog subscription but it could be much cheaper than the DTH.

**Rajeeve Sharma:** Right what about the tax aspect sir what kind of taxations comes in?

**K. Jayaraman:** We have Rs.20 tax in Delhi for entertainment which is there for DTH the same would be applicable to us and we have 10.3% service tax. 10.3% service tax both Mumbai and Delhi and this Rs.20 would be entertainment tax in Delhi and the Rs.45 would be entertainment tax in Mumbai.

**Rajeeve Sharma:** Okay and this 10.3 is on the full fees charged so if it is Rs.225 it is Rs.22. Say third 27.5 or 25.5?

**K. Jayaraman:** What we eventually we will do really we will get one all inclusive price I suppose there is we will have net of service tax we have been, but obviously full declaration would be made to the entertainment tax also so that will also mean that we will recover entertainment tax fully from the subscriber make it DTH prices.

**Rajeeve Sharma:** Right sir just two small last two questions one if you can share some color on the backend CapEx and second you have mentioned Rs.100 Crores will be your funding requirement if I get it correctly that for the full digitalization process for both Delhi and Bombay and what is the market size you are assuming there?

**K. Jayaraman:** See our total CapEx including backend, front end CP all net of whatever we estimate that will recover from the consumer is about Rs.100 Crores because already substantial investment has gone in Hathway nobody can do Bombay Delhi at Rs.100 Crores but since already Hathway is Rs.100 Crores but since already Hathway is substantially ready we are already 40% to 45% ready in Mumbai including substantial backend investment that we have done as also 20% odd percent being there be our incremental CapEx is about Rs.100 Crores for these two.

**Rajeeve Sharma:** What is the subscriber number you are keeping in mind when you calculate this Rs.100 Crores broad number just?

**K. Jayaraman:** All that does not go into CPE, there would also be CapEx, there will also be some backend CapEx etc.

**Rajeeve Sharma:** And that would be roughly 30% of the 100 Crores?

**K. Jayaraman:** About 15% I would say.

**Rajeeve Sharma:** Lastly how do you reach the fund raising action which is being taken up by the DTH operators in the last few days, how do you read that that is my last question?

**K. Jayaraman:** I have no idea.

**Rajeeve Sharma:** Thank you very much Sir. Thanks for all the answers and wish you all the best.

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

**Bijal Shah:** My question is on the implementation. So let you assume that there is some MSO who does not move on to the digital platform and he continues to give analog signal, so who is the agency, who is the responsible for catching hold of such MSOs and ensuring that everyone gives digital signal only in Bombay and Delhi?

**K. Jayaraman:** The responsible is the TRAI the regulator.

**Bijal Shah:** TRAI does not have any administrative arm, it is just a regulator and how they would ensure that it happens in every corner of India as and when by 2014 when we have completed realization of the country or even in say when we go to phase 2, so there are 43 cities, which would be covered by phase 2, so who would be the guy, TRAI does not have absolutely any administrative arm anywhere in the country, so who they would ensure that actually only digital signals are given and no analog signals are available?

**K. Jayaraman:** You think that this is the multisystem operator or operator does not encrypt and they send it through digital there is provision that all MSOs and cable operators would have to be registered MSO and cable operator under the act, so if some MSOs are not complying with the norms, their registration will be canceled by TRAI.

**Bijal Shah:** See there are more than 6000 independent cable operators in India and given the low bandwidth prices it is very easy to do piracy of signal across states and across cities, so do not you think that there is meaningful challenge as far as implementation or ensuring proper implementation is done in every city and every place?

**K. Jayaraman:** I think they have in addition put piracy voiced up at local level to the under the cable TV act by district magistrate and the commissioners are responsible for the piracy. Piracy would happen that it cannot happen because earlier the piracy happened because it is only part of the city that was digitized like say South Mumbai or South Delhi, now with entire city coming in even the broadcasters will play a key role because the broadcaster would also ensure that no piracy happens because they would also want to get full subscription, so there would be strict vigilance maintained by broadcasters, by MSOs and of course you would have local authorities and finally TRAI is the authority, so any respective MSO who wants to continue in the business and continue to get their registration would have to follow the rules basically.

**Bijal Shah:** You are saying that it is only part of the city earlier and if I see Thane in Mumbai that can be technically be different city but almost they are contiguous so the same problem wise cannot arrive this time that some of the places analog signal from nearby region actually come back to Bombay?

**K. Jayaraman:** Even Thane it can come, even Thane District can come, but I think those are all enforcement things that one has to comprehend here I think surely these things will be taken care by the broadcaster, regulator and local agency, after all big stakes are involved in this and the piracy is a criminal offense so nobody would want to do piracy in digital. Piracy is the criminal offense as far as cable operator goes, MSO goes and even the customer goes. Customer is also pirating he also supposed to be a thief. It has got serious implications. We are only talking about cable operator and MSO that also see that the customers should also not pirate. He should receive the setup box and he should see. There will be administrative problems in initial phases, but we have seen all these problems in the initial phase even in South Mumbai and South Delhi, so I think this time with no free to air being available on analog and entire thing being on digital, it is a far more improved system than last time.

**Bijal Shah:** That was all my question thanks.

**Moderator:** Thank you Mr. Shah. The next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

**Nihar Shah:** Good evening Sir. I just had one question. My question was pertaining to your subscription revenue, given the fact that you have seen quite decent growth in terms of your digital subscribers over the last four quarters; we have not seen cable subscription revenue growth keeping in line. Year-on-year you have done for the first half from 66 Crores to only about 71 Crores, so I just wanted to understand what extra are you able to charge the digital subscribers currently and what is the outlook on your ARPU in the short-term and medium term?

**K. Jayaraman:** Subscription revenue on cable has not grown in fact it has degrown because of intense competition from cable you can really see how cable analog subscription revenue has grown even for broadcasters, it is less than a single digit if you follow some of the major listed companies space analog it is growing, and if the market cable subscription revenue has not grown in fact it has degrown basically, so from 66 Crores for standalone to 71 Crores or on a consolidated basis from 156 Crores to 170 Crores we have shown a decent growth despite adverse parameters for analog cable. As regards the fact that we have seeded the setup boxes and we have really not seen any substantial incremental revenue for our digital subscriber except for places where we have seeded with digital setup on a primary subscribers or our own subscribers there we have been able to increase Rs.10 to Rs.15 in selected areas where we own subscriber are the last mile fully. Currently what we have done is in many places where we have the last mile owned we have started giving 100% digital only in some places in Mumbai and some places in Pune and all, gradually we are going to start that even in other cities also where the cluster of our last mile owned subscriber we will completely put digital, or say we will reach about 90% to 94% and then shut off the analog there, then what happens is you get more organic subscribers because of second TV and hidden points and stuffs like that, you will be able to enhance revenue, but that we have already started quite a few places in Mumbai and we will plan to start in other places where we have direct subscribers. Having said that ARPU increases on voluntary digital is being done only where we own last mile, where we have seeded the box in the LPO area it is just in advance of the DAS coming in which we talk always will come in, so that will keep us in good state because we have covered sustainable portion much in advance. Obviously, the monetization decision will come monthly analog shuts off.

**Nihar Shah:** That was my followup question, how confident are you that even under the new sort of digital adjustable system you will be able to actually extract that value out of the digital subscriber it should not happen that you have put in the CapEx, you get the digital subscriber but the LCO who still will own the last mile is not being compliant with the regulations?

**K. Jayaraman:** There is no way we can do because the entire billing and subscriber management is going to be done by us. If he does not get the payment from the customer obviously the customer will be shut off, so currently TRAI is thinking in terms of the fact that the MSOs will do all billing to the consumer, the MSOs will ensure that the bills are provided to all the consumers and the collections are done by us. There is no reason that compliance cannot be done because it is fully addressable system.

**Nihar Shah:** So you would be managing both the billing and the collections as well?

**K. Jayaraman:** Billing we will manage, collection we will have to see how they do we could partially manage to the LPOs and partially to the prepaid.

**Nihar Shah:** Great. Good luck with the execution and thanks once again for answering the question.

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

**Nikhil Vora:** Hi this is Nikhil Vora here. A couple of things with digitization now becoming a reality do you envisage consolidation to take a back heat or you think consolidation will actually start to take more momentum?

**K. Jayaraman:** I am not aware about this consolidation business; I have no idea about this. Consolidation means are you talking about MSO amongst MSO? Nikhil, I do not have any idea of consolidation.

**Nikhil Vora:** Second was on the speed of execution for MSOs right now, where do you think, how should one really gauge the equation strength from year on for a few MSOs, so we will look at the ordering of boxes now or what should be the ground activity to really trace?

**K. Jayaraman:** Ordering of boxes is the first thing you are completely right that has to be done, that is the basic thing that is required and ordering in advance because shipments are going to be tough, there will be scarcity so ordering has to be done even DTH guys we are speaking to try to take some market share would have to also order for boxes, so they would also have to put that much capital more.

**Swati Nangalia:** How are you replaced on that, what sort of ordering are we doing for the next 12 to 18 months?

**K. Jayaraman:** Doing for phase 1 will be right now which will back, we will probably do about 1.8 million 2 million units, because we have already done so much more in Mumbai and Delhi. We will do about 1.8 to 2 million more. I think that is what we have planned to do because already I think somewhere around 400000 to 450000 has already been seeded in those DAS market by us. So these 200000 are also take into account, second TVs and also probably we would look at some extra growth coming in because obviously all MSO somewhat ready.

**Swati Nangalia:** All the MSOs were to order boxes and I presume the industry and whole will order at least 5 to 6 times more the current size of digitized properties in cable, if they do that will it be driven, execution will be driven by giving 100% subsidy to the consumer had a zero percent subsidy in terms of acceptance from the consumer side?

**K. Jayaraman:** There would not be 100% subsidy. Currently we are offering to the consumer that 500 or 600 that is what on a voluntary basis we are offering, so I think the subsidy currently is roughly about 60%, the 1400 is the box and roughly about 60% is the kind of subsidy, going forward I think the subsidy will reduce basically because SAC for DTH is still 2200 whereas our SAC is currently about 800 so we still have lot more to optimize it, so I think the customer who would come in the last minute would get less subsidy. Today he will get it as 600 to buy in end hour may be you will have to pay full price or may be Rs.1000 or something like that, but I think if he is buying is buying at 600, which is roughly 40% of the cost so you will get 60% subsidy so LAN, FEB etc., the subsidy may reduce because there is a vast difference between the SAC of the GTS companies and SAC of MS.

**Swati Nangalia:** Just on last thing is there anything that would assuming that our execution remains fairly solid from here on, is there anything that one really needs to worry about in terms of either regulations or implementation on ground, behaviour and so on, what would be the bigger concern from here on?

**K. Jayaraman:** I think we have to set up for good call centers back end call center and customer support that will have to be handled for million so we will have to have good outsourced call center very similar to the kind of process in DTH so call center, customer support and billing, this is going to be extremely critical for everybody.

**Swati Nangalia:** Okay thanks for this.

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

**Shirnivas Sheshadri:** Thanks for taking my question. I just wanted to check more from a demographic perspective of the low-end consumers of cable TV. I just wanted to get some sense on if we take the metro market for example how much would be the proportion of urban poor will be accessing cable TV services whether they pay the price for it or not, but they could give you some sense on how much could be that segment of the cable TV market in terms of numbers?

**K. Jayaraman:** Since we have been handing analog business, we really know the urban poor what they pay. The urban poor typically in Mumbai and Delhi pay about 150, which is actually the ARPU of the DTH actually. There is no coincidence, but the urban poor pays about Rs.150, whereas the urban rich pays about 250 to 300, so it is all depends upon in 150 in what you package to the urban poor in DAS environment. About 125 to 150 is what typically in urban poor pays. Beside to 150 we could easily package good amount of free to air channels because we do not have the bandwidth issue post that, so there are a lot of free to air channels can be package and in anyway if you look at the digital tariff order whether it is for DTH or whether it is from digital cable minimum this is 150, it cannot exceed Rs.150, so what they have said is that Rs.150 can be a benchmark actually.

**Shirnivas Sheshadri:** In terms of your basic tier pricing how does it work relative to DTH operators just if you could give some sense on how it works for digital cable that will be helpful Sir?

**K. Jayaraman:** We have not worked out the product offering yet at all because that will all depend upon content cost and stuffs like that, it is too early to talk about basic tier of digital cable now.

**Shirnivas Sheshadri:** As of now we are offering digital cable with all channel similar to analog but we are charging certain prices that how it works?

**K. Jayaraman:** It is, what is going to be in the basic tier it will be more, it will be less, obviously it cannot be less, it will be only more but I cannot tell you what will comprise of our basic tier and what should be the price that is a competitive information and it will be more much closer when you will speak of.

**Shirnivas Sheshadri:** How and when are you geared operationally to execute the digitalization and all particularly in terms of installation that kind of thing is certainly there is an increase requirement?

**K. Jayaraman:** Requirement will have to be done only with the help of the cable operators and the correction with technical body that we have, so currently we are anyway doing this on a regular basis on a voluntary basis we are happy as we are doing it both in Delhi and Mumbai market, so we have that but I think the pick up will happen say post February, March because now it may go into June quarter or so, at that point of time we will have to little bit outsource the installations on a one time basis, so today if you look like we have been able to do with the technician what we have and along with the each cable operator anyway has two guys for him to help out correction and technical support. These two guys can go and cable box is fixed in 15 minutes actually because you would not need an antenna, you do not need line of site or anything if you just like a device on the TV, it hardly take 15 minutes for a cable digital. We are currently using our own setup plus the cable operators but when in the delay comes probably we will outsource some of bodies.

**Shirnivas Sheshadri:** Okay great thanks for answering my questions.

**Moderator:** Thank you sir. I would now like to hand the conference over to Mr. Rohit Dokania. Thank you Sir.

**Rohit Dokania:** I just had one question before we end the call. I was just wondering for the phase 1 just for Bombay, Delhi and some part of Kolkata, will our content cost fall once we shift to phase 1 because as per the Supreme Court order the maximum content cost that the broadcaster can charge from a digital operator is about 42% of the analog rate?

**K. Jayaraman:** Content cost in absolute terms will go up basically simultaneously there will be substantial growth in subscription revenue also. There will be something like about 4 or 5 times growth in subscription revenue, so there will be also definitely growth.

**Rohit Dokania:** Sir thank you it was helpful, you want to make any closing remarks.

**K. Jayaraman:** I think we are quite ready to launch the digital assessable services. We have already commenced the high definition services. We are pioneer in broadband, so I think we have a range combination of products to do that and because we have three products standard definition, high definition and broadband and we also have them partial execution in Mumbai and some more partial execution in Delhi. I think we are quite ready. Secondly the technology that we have used whether it is MDS, CISCO or Ericsson have been quite stable, so even from technology perspective we have got better vendors and stable and we have consistently been using them on a voluntary basis, so on the account of various products packaging to the consumers and also from the technology we are quite and far ready we should be able to execute to the best of our ability. Thank you.

**Rohit Dokania:** Thank you.

**Moderator:** Thank you, Sir. Ladies and gentlemen, thank you to the gentlemen of the management. On behalf of B&K Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.