



DISH TV INDIA LIMITED

4Q FY17 EARNINGS TELECONFERENCE
MAY 24, 2017, 5.00 P.M. INDIA TIME

Moderator: Good Day, Ladies and Gentlemen and Welcome to Q4 FY 2017 Earnings Conference Call of Dish TV India Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your Touchtone Telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tarun Nanda from Dish TV India Limited. Thank you and over to you, sir!

Tarun Nanda: Good Evening, Ladies and Gentlemen and Thank You for joining us today, we are here to discuss the results of Dish TV India Limited for the Fourth Quarter ended March 31st, 2017.

To discuss the results and performance joining us today is Mr. Jawahar Goel -- Chairman and Managing Director of the company. I would also like to introduce and welcome Mr. Anil Dua -- Chief Executive Officer; we also have the CFO -- Mr. Rajeev Dalmia.

We will start with a brief statement from Mr. Goel and will then open the discussion for Questions-and-Answers.

I would like to remind everybody that anything that we say during this call that refers to the outlook for the future is a forward-looking statement that must be taken in the context of the risks that we face.

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

Jawahar Goel: Thank You, Tarun. Good Evening, Ladies and Gentlemen and Thank You for joining us today.

Dish TV added 165 thousand net subscribers during the fourth quarter of fiscal 2017 reaching a net subscriber base of 15.5 million at the end of the period.

The initial growth momentum at the beginning of last fiscal that could have propelled the DTH industry to the next level took a temporary but prolonged hit due to demonetization.

The industry slightly de-grew in terms of new acquisitions during the year despite coming closer to the implementation of digitization.

We tried to minimize the impact and focused on the potential long-term advantage in the form of recharges through online modes.

Despite the odds, Dish TV managed to increase its reach and subscriber base.

Looking forward, fiscal 2018 should be a defining year for the company as not only will it be at the forefront of subscriber additions but will also complete, subject to necessary approvals, the amalgamation of Videocon d2h with itself.

It was recently announced that DTH services would be subject to 18% GST rate. It has been a long wait for an industry that has been subject to multiple taxes including Entertainment Tax and Service Tax and is also liable to pay License Fees.

Unlike the current Entertainment Tax and VAT regime, where different rules are used to determine tax in different regions, GST would be a single tax that should be practical and convenient to pass-on to the consumer.

Dish TV recently crossed an important milestone when CCI granted approval to Videocon d2h and Dish TV to merge.

Application for approval from the National Company Law Tribunal (NCLT) has already been made and the company is hopeful of getting all clearances with respect to the amalgamation in place by September or early October this year.

With that, I would like to open the floor for the Q&A session.

Moderator:

Thank you very much, sir. We will now begin with the Question-and-Answer Session. The first question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand: Can you please give the revenue split? That is the first one. Secondly, can you please walk us through the consumer behavior during the current quarter very clearly ARPU is significantly lower on a quarter-on-quarter basis? So, what is the thought process right now? Our consumers even recharging or are they down trading to the Rs. 33 or Rs. 99 packs? That is it.

Rajeev Dalmia: As far as the split is concerned for the quarter, the subscription revenue is Rs. 620 crores; lease rental is only Rs. 2 crores; teleport is Rs. 5.5 crores; bandwidth Rs. 30 crores; advertisement is Rs. 16 crores; and other operating income Rs. 33 crores. In terms of the consumer behavior, yes, there was a hit in consumer behavior especially with regard to the subscribers coming from DAS-III and DAS-IV area because they are heavily afflicted by demonetization and still the full demonetization effect is not over. Though it is out from the distributor level, but the dealers are still finding it difficult to route the transaction primarily through the banking channel. That was one part. Secondly, we also saw some down trading in the HD subscribers, they have HD Set-Top-Boxes but they move to Standard Definition maybe a temporary phenomenon but that was also one of the reasons of less revenue during the quarter. And third was of course, we have two days to three days less in this quarter because of February being 28. So, this also affected revenue to the extent of Rs. 18 crores to Rs. 20 crores. These were the primary reasons why we had lesser revenue in the fourth quarter as compared to the third quarter or even as compared to the previous four quarters of last year.

Vivekanand: Right, sir. Sir, a couple of follow-ups, so if I compare your revenue trends with that of say Airtel which has reported, the ARPU does not seem to have been as negatively impacted for Airtel as has been the case for you. So, is it primarily because of the difference in customer profile your customers being more rural centric than Airtel or is there something else also. And secondly, in relation to the ARPU question, I remember that there was an ad campaign where Rs. 33 kinds of a recharge was introduced package as a three year recharge where consumers would get the free dish

content, is that also something that is impacting your ARPU or am I reading too much into that?

Rajeev Dalmia: You see, as far as the annual ARPU is concerned we had Rs. 154 as against Rs. 157. So, the impact is not much. The severe impact was only in the fourth quarter which is now being rectified with the trend that is going on the first quarter that is the quarter in which we are speaking. So, we will again revert back to the third quarter or second quarter of last year it would not impact. Secondly, the manner of calculation of ARPU of Airtel and ours is slightly different. We are still recognizing all those subscribers who have passed in for 120 days as net subscriber base whereas they are calculating according to our understanding only 60 days. So, that difference is always there. And this, three-year package which you are saying, it was launched for a specific purpose. The numbers are not so much so that they can influence the main ARPU. But yes, we got some subscribers in that. But the average ARPU of these subscribers is not Rs. 33 it is around say Rs. 100 to Rs. 110 because they are subscribing to à la carte and the average à la carte subscribe is three to four by these subscribers. But the numbers that are coming to this offering is not much so that it can influence the overall ARPU.

Moderator: Thank you. The next question is from the line of Kunal Vohra from BNP Paribas. Please go ahead.

Kunal Vohra: What will be the subscriber acquisition cost now and let us say few years you discussed about like you have mentioned that subsidies could be eliminated in the long-term and like industry economics continue to remain weak. Do you think at some stage you can recover the cost of Set-Top-Box from the customer or considering that cable does not charge much it would not be possible? That is one.

Rajeev Dalmia: See, last quarter SAC was Rs. 1,680 and if you compare with the last two years before it used to be Rs. 1,850 to Rs. 1,900. So, we have recovered say Rs. 200 but it is difficult to bring it down to a level which is below Rs. 1,000 because we are six players and we have also increased the price by Rs. 200 in the last week. So, that will also have

positive impact maybe it will down from Rs. 1,680 to Rs. 1,500. But in an industry where six players are chasing for subscribers it is difficult to bring down immediately the number of the value of SAC or the full value charge for the Set-Top-Box and the subsidy is also there in the cable operators it is not only in DTH.

Kunal Vohra: But directionally would you look to reduce it considering that core business is not making, you are not making enough money from the customers.

Rajeev Dalmia: It is a very tough question because some of the guys are also bundling even the content for three months, six months, so it is very difficult to curve out a very relative value for the box in the long run and in Pay TV we will not be charging money, through the box prices have gone down but that is the same time rupee has also depreciated in the last three years - four years by say 7% average. So, we have got the benefit of dollar cost less but rupee cost has not gone down. So, net to net though the SAC has gone down but it is very difficult to say that it will be eliminated in the near future.

Kunal Vohra: Okay. My second question, sir on Phase-IV, how many customers are yet to digitize and are they target market for DTH industry or would they mostly go to Free Dish and how do we look at customer additions beyond fiscal 2018?

Rajeev Dalmia: See, as far as the subscribers who are left still not digitalized they are around 55 million subscribers to 60 million subscribers and majority of these guys are situated in DAS-IV and some of them are also in DAS-III which is predominantly an area of DTH market. So, last year like DTH had 11 million subscribers and before that, also it was 11.6 million subscribers. We continue to trend the same number. So, we will do say 11 million subscribers to 13 million subscribers in this year and that is the usual trend if you will see the last three years. And the fight is on, let us see now who gets what. But yes, today, DTH has a slight edge in DAS-IV area because most of us are strong in Tier-II and Tier-III cities including Tata Sky these days.

Kunal Vohra: Understood. And last question sir, if you can provide some guidance for FY 2018 customer additions, ARPU, and margin?

- Rajeev Dalmia:** In terms of customer addition, we will be around 1.2 million customers to 1.3 million customers. ARPU again, it is a very dicey question because there are three major events taking place one is of course the GST to be implemented then we will have merger midway from September - October and third is the tariff order implemented in between then also impact the ARPU. But based on the current dynamics we can say that ARPU will go up by say very nominal percentage because the increase in the subscriber will continue to be 1.2 to 1.3. so, even if we grow by say 6% to 8% in revenue or 7% to 9% in revenue the ARPU growth will be very minimal.
- Kunal Vohra:** Okay. And margins?
- Rajeev Dalmia:** Margins this year we have 32% on an annual basis. Last year it was 35%. We hope it will be somewhere around the last year.
- Kunal Vohra:** Around 35%?
- Rajeev Dalmia:** If I also do the math for the merged entity, definitely it will have positive impact on the annual EBITDA margin as well as PAT.
- Kunal Vohra:** Okay. Merged entity should we be factoring in fiscal 2019 or fiscal 2018?
- Rajeev Dalmia:** Definitely in fiscal 2018, it should happen in September - October.
- Kunal Vohra:** September - October, okay.
- Moderator:** Thank you. The next question is from the line of Vikas Mantri from ICICI Securities. Please go ahead.
- Vikas Mantri:** On the results performance now I was not able to understand the Airtel vis-à-vis our performance argument, if both of theirs and your policies have remained same then the growths are very much comparable. Also, we do not want to compare the ARPU because of accounting reasons and that, revenue as a growth number can always be compared and now lease rental as a function of accounting is a very small portion of

things. So, that also is not an excuse. So, clearly from a revenue growth perspective we are 13% down and they are 10% up. And that continuous to be the trajectory where they are growing at 10% to 15% higher than our growth levels and this quarter was a variance where their growth is even 20% more. The reason I am trying to put these numbers across is where is the failure of ours in terms of subscriber base, market ecosystem, that the performance is so divergent?

Rajeev Dalmia: Mantri Ji, this is a very holistic question and we need to explain the entire business model in order to come to any conclusion. But yes, they have grown faster than us like we had a revenue growth of around 5% and they had an annual revenue growth of 15% and there is a different of 10%. But this difference is there in the last two years. If you see before that year also our growth was around 11.5%, they had grown around 18%. So, we have de-grown because of the fourth quarter otherwise we were trending more or less in line of 9% to 11%. But fourth quarter was a dip. Our revenue was down by Rs. 45 crores to Rs. 50 crores and that is where we lost trend percentage growth.

Vikas Mantri: Sir, is it possible that we need to re-check the quality of our subscriber base and may be our accounting is lakhs in terms of weeding out the subscribers who are largely inactive. So, that the metrics that are available are relatively comparable?

Rajeev Dalmia: No, as far as the customer accounting is concerned that will only affect the ARPU. As far as revenue is concerned that all of it

Vikas Mantri: I agree with sir, but somehow it is just not possible when we tried the model that when your base packages are Rs. 260 - Rs. 270 and even your lower end packages of Zing are those are north of Rs. 175 to be able to factor in Rs. 135. Earlier we were worried when we were factoring Rs. 170 when Airtel was reporting Rs. 230 or even Videocon was reporting Rs. 230. So, there is something which is different to what Airtel, Videocon are doing vis-à-vis us in terms of accounting as well. Our quality might be weak. But there is something majorly different in terms of our accounting also because

it is just earlier the 20% gap was difficult to appreciate. Now, it is more like a 40% gap.

Rajeev Dalmia: No, first of all, all of us launched Rs. 99 pack in the last year if you remember. And the pull for Rs. 99 pack in our company is much higher than these two companies that is point number one. And Mantri Ji, there is a no accounting for subscriber this is an MIS, we can only account for the revenue and if we want to compare revenue of one company with the other enough data is available in the public domain. ARPU is just a calculation. Now what will be the denominator that is we are defining it by 120 days, somebody may be defining it by 30 days, we are also trying to bring it closer to the 30 days to 60 days but it is taking time may be post-merger we will also come to the same level of cut off. But when we talk of revenue which is accounting there is no difference in recognition of revenue because all of us are in service model. All of us are recognizing activation revenue upfront.

Vikas Mantri: Sir, I am talking about the denominator only sir, that is why I started the argument comparing only revenues. But just to understand the operating metrics and their behavior better try to do relative comparisons, I was wondering on the denominator front.

Rajeev Dalmia: There is no change in the manner in which we are accounting for the subscriber like last year also we added around 1.2 million. This year we added say 1.1 as far as the trend is concerned there is no change.

Vikas Mantri: So, then my argument is this, as a group, as a company, when our peers are trying to have SACs of 1,617 which are comparable but can deliver ARPUs of Rs. 230 whereas we as a company have similar SACs or may be marginally lower if not significantly but are able to deliver only Rs. 160 ARPU then your value per subscriber is significantly lower. So, what I am trying to point out here is that we need to re-think as a group, a strategy whether we should be actually running behind the Rs. 99 subscribers or we should churn out a lot of those subscribers. When I say churn out

actually I am not asking you to remove them but to be more specific in our subscriber growth numbers of trying to actually pick better quality because it will over a period show up in the customer value life time value.

Rajeev Dalmia: We will note your suggestion and maybe we will implement in the coming quarter. We are also thinking of re-orienting the denominator but in between we have a merger. So, post-merger we will redefine the denominator and maybe we will come at par with other guys in the industry.

Moderator: Thank you. The next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: If you can give some color on what would be the quantum or percentage of subscribers which would have actually not recharged over the last three months in the last quarter and as you said the impact of demonetization is still not over and what percentage of that would have come back to actually gauge because when we did our last quarter call in January there was nothing of this sort kind of a impact which was stated. So, just to gauge in 1Q what can be the ARPU trend if you can help with this number?

Jawahar Goel: Yes, Jawahar here. This question is a slightly a competitive information. I think Tarun can take that with you on a one-on-one basis whenever you are there. In the conference call we cannot discuss the percentage issue and this thing. You have to excuse us on this question.

Naval Seth: Sir, second question is on content cost. What is the guidance for next year, is it lower than what we have stated in the last quarter or that remains intact?

Rajeev Dalmia: We had given guidance 6% to 8%, 6% - 7% but I think we are below 7%.

Naval Seth: Okay. And lastly, sir, gross and net debt?

Rajeev Dalmia: Gross debt is Rs. 1,140 crores and net debt is Rs. 685 crores.

Moderator: Thank you. The next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: On the ARPU side this question that even though this entire impact of ARPU is because of demonetization and you think that this continues. But not necessarily this will continue for the entire year because we are not seeing any such impact in any other sectors. So, just trying to understand why it is only DTH which is so severally impacted? And second is your guidance for next year of 3% to 4% ARPU growth what is driving that because we will get normalized over the next, we will have next ten months to get normalized so why such poor guidance on ARPU?

Rajeev Dalmia: First of all, we are not giving any guidance on ARPU because there are three events - four events which are taking place which will hugely impact the top-line on an annual basis of course merger is one, then we have GST roll out and then last but not the least is the tariff order which can be implemented anytime when Supreme Court decide. So, it is difficult to give ARPU percentage growth for the current year. In terms of the revenue growth as we have said it will be anywhere between say 7% to 9% based on the current economics. If the economics changes of course, it will have impact and if the merger takes place based on our plan of September and October it will have a positive impact on the top-line also because of various synergies that will be drawn in terms of subscriber management system, facility for subscriber, call center management, sales services and many other things which are related or the subscriber management.

Rajiv Sharma: Sir, I understand that. So, based on current economics is Rs. 135 the new base, the new level for ARPU, is that which is sustainable, we would not see any major improvement from there.

Rajeev Dalmia: Rs. 135 for the fourth quarter is an aberration, if you see the annual ARPU it is Rs. 154 and we hope based on the current quarter the intensity of the negative effect of demonetization will go away if not in this quarter may be in the early next quarter. We

will come back to say Rs. 150 to Rs. 155 as the third quarter and second quarter was for the year gone by.

Rajiv Sharma: And this will be based on normal recharges coming back, no major price hikes you are planning to take?

Rajeev Dalmia: Right.

Rajiv Sharma: Okay. And just also understanding to previous comments Airtel DTH versus Dish TV, why you think that demonetization has not hurt them and it has impacted your number so much?

Rajeev Dalmia: No, it is not only demonetization maybe they got escape through because of the manner in which recharge is being done. Where we have large number of dealers recharging, it was FMCG or consumer durable they have all been impacted because most of the dealers who are situated in DAS-III and DAS-IV area are still doing business in cash, the rotation of cash practically hit because of demonetization. So, they are still not yet normal or they are still not at a stage where they were before November 8. The degree or the intensity of each player will be different. But it was majority of the subscribers on our platform as you are aware 55% to 60% are in the rural area which has an advantage as well as disadvantage we have to treat it both way.

Rajiv Sharma: Sir, COGS has gone up, the cost which are other than content cost have gone up, so can you just provide some color this transponders and is this the new normal, like is that what we need to extrapolate going forward?

Rajeev Dalmia: There are two exceptional cost one was Rs. 9.5 crores of foreign exchange loss and Rs. 15 crores one time transponder cost charged by ISRO which was long pending. But we had to pay. So, there is an element of Rs. 25 crores as one-off in the fourth quarter.

Rajiv Sharma: So, this Rs. 15 crores there is nothing recurring here?

- Rajeev Dalmia:** No, nothing. One was the Rs. 15 crores of transponder and the other was Rs. 9.5 crores of FOREX loss to make it mark-to-market.
- Rajiv Sharma:** Okay. And your CAPEX guidance for FY 2018 and what was your CAPEX incurring for this fiscal?
- Rajeev Dalmia:** For this fiscal it was Rs. 745 crores and based on the current exchange rate we hope it will be between Rs. 750 crores to Rs. 800 crores.
- Moderator:** Thank you. The next question is from the line of Amit Kumar from Investor Capital. Please go ahead.
- Amit Kumar:** Just a bookkeeping to begin with. If you can just break-out the operating cost for me in content and the other programming cost and the other cost that use to like you use to give previously as well please?
- Rajeev Dalmia:** See, we have already said about the content cost. But other cost I can give offline.
- Amit Kumar:** All right, not an issue. Sir, the second one was, what would be the churn rate or the gross addition for this particular quarter?
- Rajeev Dalmia:** It was 0.9% as far as churn is concerned which was slightly higher than the third quarter and we added 165 thousand net subscribers.
- Amit Kumar:** All right. Just coming back to this revenue bit that one of the other participants also sort of talked about, I mean when we look at during the course of the year, right I mean we have added almost 1 million subscribers 4Q FY 2016 all the way to Q4 FY 2017. Even if we sort of assume those guys are coming in at a significantly lower ARPU all those Rs. 179 and Rs. 174 packs essentially and even net off service and Entertainment Tax till we have an incremental sort of revenue Rs. 40 odd crores - Rs. 45 odd crores in three months essentially the decline that we are looking at is quite huge that sort of implies very massive downgrades pack downgrades in your existing network. I mean did not sort of fully comprehend this. So, could you just help me how your existing

subscriber base, FY 2016 subscriber base what has happened there, if you can throw some light and you know if you can sort of back it up with numbers that will be even better?

Rajeev Dalmia: Then the rise was there with us in FY 2016, some of them also downgraded either to Zing or may be to Rs. 99 pack not Zing the Rs. 99 pack. Zing of course is pulling down the ARPU though the number of Zing subscribers are not increasing the way it used to increase but there was an impact even that these subscribers those who bought HD Set-Top-Boxes they could not sustain HD for long and they moved down to Standard Definition. So, there was huge impact of down gradation in the fourth quarter, it was not so in second quarter and third quarter and in this quarter also we see some revival from fourth quarter.

Amit Kumar: All right. Possible to sort of put some number onto this what were the HD sort of subscriber as a percentage of your total subscriber base what this number last year and what is that currently?

Rajeev Dalmia: HD in total we have say 1.9 million and if you ask me 1.9 divided by 15 so that is the percentage. But of that some guys are not watching HD, some of them have moved to Standard Definition. So, there it was not anticipated when we installed or when we provided them HD Set-Top-Box. So, that is one of the major disconnect in the revenue projection what we had and what we actually got.

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

Rohit Dokania: Just wanted to confirm the ARPU sort of not guidance but the mark that you are talking of Rs. 150 to Rs. 155 this is excluding any benefit from GST or anything of that sort it is like-to-like, right?

Rajeev Dalmia: Yes.

- Rohit Dokania:** Okay. So, can you talk about GST benefits as to how it could impact us?
- Rajeev Dalmia:** See, GST we will have two benefits. One is of course the VAT benefit which is the merged rate of Service Tax plus Entertainment Tax which is coming to around say 21% - 22% minus 18% to 4% of the top-line. Plus we also pay SAD when we import Set-Top-Boxes which is around 4.75%. So, that gives us around Rs. 40 crores. So, apparently the benefit appears to be Rs. 160 crores - Rs. 170 crores.
- Rohit Dokania:** Including both of these benefits you are talking about, right?
- Rajeev Dalmia:** Yes.
- Rohit Dokania:** Okay, that is great. Also I mean can you talk about some synergies that you expect from the Videocon merger both on the revenue side or on the cost side.
- Rajeev Dalmia:** See, as far as the synergy is concerned we will have synergies mainly on account of purchase of Set-Top-Box, joint negotiation for the content, cost of services incurred by us may go down because of the merged or synergy arising out of spilled service output and of course whatever is the backroom or the backend synergy which is there most of the merger will also accrue to us. In terms of top-line, it will be all across including service in the subscriber value-added services wherein we are slightly lower and carriage fee which can be jointly done in a much better way, advertisement income. But it is very difficult to quantify the same right now.
- Rohit Dokania:** Sure, I understand that. Sir, could you just talk about especially on this part, how would the content synergies pan out especially given the fact that the new tariff order is on the anvil. We still have some synergies in the new regime or this is applicable only in the existing regime?
- Rajeev Dalmia:** So, I am talking based on the current regime. Of course, in the tariff order regime, we will have to plan out differently that how we can get the best out of the broadcaster. And that scenario is still not built-in.

- Rohit Dokania:** Sure. And just one last question, can you just talk about any impact of Jio launching its DTH along with that TV services as well.
- Rajeev Dalmia:** Jio is impacting the entire television and telecom industry in different proportion. Difficult to quantify but definitely there is an impact of Jio across the board. But these are early days, we need to evaluate at least for two quarters - three quarters that is the real impact Jio. But there is an impact of Jio.
- Rohit Dokania:** Okay. And sir, just one more question on this basically, can you also talk about the TV service that they are planning the normal TV services using their fiber to the home, wire line, broadband, would that impact be restricted to the larger cities or could that impact Phase-II, Phase-IV area as well?
- Rajeev Dalmia:** That is still not evaluated to the extent it should. May be in the next quarter we can throw some light.
- Moderator:** Thank you. The next question is from the line of Jai Gandhi from Kotak Securities. Please go ahead.
- Jai Gandhi:** Sir, was there any one-off in the revenue in this quarter because of which the numbers that we are looking is fairly lower than what it should have been otherwise. And the reason for asking this in the last quarter call, I think you had indicated that post-demonetization starting January this had started improving and now, we are not able to reconcile it with the down-trading and other difficulties that you faced during the quarter.
- Rajeev Dalmia:** Those is one element of around Rs. 31 crores between the operating income and the subscription income. Rs. 31 crores which should gone to the subscription income is part of operating income because auditor thought that it is more likely to resemble to the operating income rather than subscription income. If I include that income then the subscription revenue is around Rs. 652 crores and not Rs. 620 crores, yes this was a one-off item.

- Jai Gandhi:** Understood. So, that is why the other operating income is much higher than the usual run rate in this quarter?
- Rajeev Dalmia:** Absolutely.
- Jai Gandhi:** Got it. Sir, any update if you can give on this license-fee related things DTH extension of license and prior period liabilities.
- Rajeev Dalmia:** As far as extension is concerned our license is already valid up to say 31st December, 2017 and other matters we have to still rely on the judgment of Supreme Court for which we need to wait.
- Jawahar Goel:** On license renewal, the draft of cabinet note is still under preparation in the ministry which is taking some time because our secretary I&B got sick for a couple of weeks recently. He has joined only on Monday. So, hopefully the cabinet note is prepared and then it will go to cabinet. We are waiting for that outcome.
- Jai Gandhi:** Right. And the final question is when we talk to the people on the ground dealers or someone in the channel, what we gather is that given the fact that Free Dish and Dish TV's transponders are almost very close in terms of direction. There is a higher possibility of Dish TV subscriber using Free Dish more frequently and thereby not maybe charging as frequently as may be some of your peer subscribers do. Now, is there any solution to this problem as a organization can you do anything about this to change this consumer behavior which is perhaps hurting you and probably the reason why your revenue growth is much lower than peers in the past few quarters.
- Jawahar Goel:** We cannot discuss what is in public domain, recently Free Dish has increased their carriage fee they are upward to Rs. 8 crores plus Service Tax. Number two they are migrating their platform from MPEG-II to MPEG-IV, so most of the Set-Top-Box are in MPEG-II domain. But the channels which are on Free Dish such as Zee, Star, Sony and all this thing, there is discussion and conflict between the broadcast and the DPOs. We do not know and one thing is to study that almost Rs. 500 crores - Rs. 600 crores

are collected by these broadcasters which normally should have been attributed to Prasar Bharati. So, Prasar Bharati is collecting nearly Rs. 30 crores - Rs. 40 crores as carriage fee and whereas they are foregoing Rs. 600 crores of revenue which should which should accrue to Prasar Bharati by way of advertisement. So, it is a strategy why the broadcaster to shift the advertisement of Doordarshan to themselves. So, government is also at some stage will wake up and will like to have a similar revenue share which they are doing on a sports event. So, sharing of 25% or 33% of advertisement revenue. So, government sometime will do this kind of practice and last year you must have seen that many of the prominent news channel has become Free to Air and moved onto the Free Dish and news consumption in the many of the area is prominent consumption actually that is being fulfilled by Free Dish. We do not know for how long this broadcaster will carry on this kind of a scenario where they forego the subscription revenue. And what are not in public domain we always keep on working, we will do something to our protect our business and to grow our business and this problem is there but this we are converting into opportunity. It has been an opportunity for us for many years.

Jai Gandhi:

In the past one or two years we have seen ticket getting smaller and smaller from Zing to Rs. 99 and as investors what we think is the amount of subsidy or investment that company has to make in these subscribers is not any different from Standard Definition broadly whereas EBITDA per subscriber would be under Rs. 40 - Rs. 35 per month or may be even lower. I mean your overall EBITDA per sub on a monthly basis has come down from Rs. 60 to may be a Rs. 37 in this quarter. So, from payback period value perspective it seems that the subscribers that are coming on the platform we do not know whether they are from ROE, ROCE perspective it makes sense or not. Because Phase-IV is still left and whether it make sense to be very aggressive on subscriber additions, do you still have that confident that at some point of time you will get paid appropriately from this subscribers or you think as an entity with Videocon d2h and Dish TV combine it is a fairly big entity already and may be you can afford to go a little bit slow and selective on subscriber additions.

- Jawahar Goel:** Actually, you would have seen that there is a disruptive strategy in the market. Many of our competition they had launched Rs. 99 pack much before we did. So, at the same time on recharge, you pay for three months, you get four months and you pay for six months, you get eight months, these kind of a retention strategy they have been adopting which Dish TV was conservative on that. So, this scenario only paves the way for the consolidation. So, let us hope that the consolidation will bring some sanctity and we will become stronger to fight it out in the market.
- Moderator:** Thank you. The next question is from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.
- Sangam Iyer:** Sir, just wanted to understand the increase in content cost production in this quarter, was there any one-off there during the quarter which led to the margin dip.?
- Rajeev Dalmia:** In terms of cost there were two items, one was the FOREX loss of Rs. 9.5 crores and the other was the one-off transponder cost of Rs. 15 crores. So, in aggregate it is around Rs. 25 crores which was one-time for the quarter which was also one of the reason of dip in the EBITDA margin of course, revenue was one of the dominant region.
- Sangam Iyer:** Correct, on the transponder cost was it for replacement or enhancement of capacity there?
- Jawahar Goel:** It was interim period when we were allocated by transponder on the satellite by Antrix Corporation. They start charging from the day of allotment letter whereas we waited for WPC, so it is an overlap of couple of months. Then we gave up the capacity, so these is a part of satellite industry which we have to do. Previously, in case of another DTH they did not charge till the WPC license was there or they did not start billing, so it has become a CAG issue and all this thing. So, they had taken a decision that you have to start paying from the day one when the letter of acceptance is issued. This is the overlap we had released to some transponder thereafter.

- Sangam Iyer:** Okay. And sir, just wanted to understand, I mean you mentioned that Jio has been disruptive, was Jio also one of the prime reasons that a lot of down-trading happen from HD to SD channels?
- Rajeev Dalmia:** That is difficult to quantify but when I say Jio impacted yes, there was a general impact but the quantification is still very difficult because no agency is mapping to Jio versus DTH or Jio versus MSO, we will have to wait for some time before it clear to all these players.
- Sangam Iyer:** Okay. And sir, from GST perspective earlier we used to say definitely once GST comes through there is a margin expansion that should come through. So, given the competitive scenario what are the benefits GST comes through since it will be across the industry, would we be actually witnessing that reflecting in the numbers or would it be kind of a buffer fighting a competitive scenario here. How would the strategy be more like?
- Rajeev Dalmia:** In between there is one more angle which is say profiteering, so let us wait for one or two months, because if we commit something it will not be nice.
- Sangam Iyer:** Okay. So, the 35% margin that we said was purely that it is going back to the normalized level without any benefit of GST coming?
- Rajeev Dalmia:** Yes, absolutely.
- Sangam Iyer:** And this, we should get reflected from Q1 onwards itself or will it take some time?
- Rajeev Dalmia:** It will be back-ended.
- Sangam Iyer:** So, that does not include the integration process of Videocon?
- Rajeev Dalmia:** No, integration will take it to higher but this was on standalone basis.

- Sangam Iyer:** Okay. Just one just small question on the integration process, the transponders that we might have to take in or enhance capacity to actually integrate subscribers of both the platforms, would there be an additional cost that one needs to incur over there or would it be the current capacity that you might have or would be enough for it? In terms of incremental since we spoke about the synergies, are there any costs that one needs to incur here just to be aware of it.
- Jawahar Goel:** On the satellite we are in discussion with the Antrix Corporation, we are waiting for the date for this. So, there after we will be able to spell out that how much time it will take to migration to one platform and it is a long-drawn strategy which we will let you know in time-to-time. It cannot be done overnight actually.
- Moderator:** Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.
- Sanjay Chawla:** Sir, yes first question is on this Rs. 31 crores which you said you have reclassified from subscription into other operating income. Does it include the impact of the previous three quarters also?
- Rajeev Dalmia:** No, it was a one-time event which has passed through. It is again normal from this quarter.
- Sanjay Chawla:** So, the Rs. 620 crores subscription revenue that you have reported is already how much of that we should add back if you have to normalize it on a recurring basis?
- Rajeev Dalmia:** Rs. 651 crores.
- Sanjay Chawla:** Rs. 651 crores, so the entire thing is for the fourth quarter?
- Rajeev Dalmia:** Yes.

- Sanjay Chawla:** Okay. The second question, is this HD Box, you have reported HD customer base has declined by almost 100,000, so that is not a reduction in the HD Boxes, that is the reduction in the HD subscriber base?
- Rajeev Dalmia:** There is no reduction as such what we said that those who are subscribing to HD are ultimately some of them are not taking HD packages they are moving down to Standard Definition which is causing loss of predicted revenue at the beginning of the year. Suppose we thought that the HD ARPU will be say Rs. 465, Rs. 475, it is not coming because they are going back to say Rs. 255 type also.
- Sanjay Chawla:** Just one last question, sir what are your thoughts on the Tata and Airtel challenging the TRAI tariff order, would you also be joining them in the litigation or you think this would impact differently?
- Jawahar Goel:** Well these are the politics from the broadcaster, so let us not comment on it. One is a telecom player. So, they have their own experience with TRAI and Tata Sky is a part of Star Group so we understand that. So, I will not like to comment anything but we will wait. For us the business is as usual when the new tariff order comes then we will comment on it.
- Sanjay Chawla:** So, from your side there is no question of challenging it at all. Is that correct?
- Jawahar Goel:** Yes, Dish TV has not challenged anything. So, far we have not decided to intervene in this matter.
- Moderator:** Thank you. The next question is from the line of Alankar Garude from Macquarie. Please go ahead.
- Alankar Garude:** Firstly, a clarification on the Rs. 150 to Rs. 155 ARPU number, so when did you say do you expect to reach this number?

- Rajeev Dalmia:** Towards the backend may be in the second-half because it will take time to move from Rs. 137 - Rs. 139 to Rs. 150. But some impact will be there in the first quarter and major impact will be from third quarter.
- Alankar Garude:** Okay. And secondly, sir, if you just comment on how are the subscriber additions panning out in the first quarter, already a couple of months have gone by, are you seeing any significant improvement happening over the previous quarter. The trend is more or less in line with what happened in 4Q?
- Rajeev Dalmia:** Almost in line with the 4Q. And first quarter is generally slightly less than in the fourth quarter because in fourth quarter you have cricket and other things but we will end up with the same numbers, almost same numbers if not more.
- Alankar Garude:** Okay, sir. Sir, even this the Cricket Champions Trophy happening in June that is unlikely to have any major impact, is it?
- Rajeev Dalmia:** We had the major event like IPL, so the impact of IPL is already there in the month of post March, April and some part of May. I think it is already there. It will not have much impact as far as the Champions Trophy is concerned.
- Alankar Garude:** Sure, sir. And last question from my side what is the rationale of planning launch our own OTT platform given that we are already promoting Zee's Ditto TV? And if possible, could you give some color on the investments which we would be required and the timeframe that would be helpful.
- Rajeev Dalmia:** We have just said that we have initiated the process and now we will form a team to explore business opportunities and what are the avenues available to us because as per our understanding this may impact our revenue positively going forward. But we are still to commit any capital towards this. But some clarity will emerge in the next quarter, in terms of what are the expenses what are the plans and how we are going to execute, what is the timeline, who are going to be involved, and other details.

- Moderator:** Thank you. The next question is from the line of Naval Seth from Emkay Global. Please go ahead.
- Naval Seth:** Sir, on content cost have deal with Zee and Star being consumed in the last year and if yes, was there any one-off impact in the content cost as well in fourth quarter?
- Rajeev Dalmia:** There was no one-off in the fourth quarter as far as content cost is concerned.
- Jawahar Goel:** The deal was expired last year June - July, so we had extended the deal for one year. So, now the deal will come for renewal in August - September.
- Naval Seth:** So, there was no retrospective impact of any cost increase on account of that in fourth quarter.
- Rajeev Dalmia:** In terms of content, no.
- Moderator:** Thank you. The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.
- Vivekanand:** Just on the content cost question, so in the Press Release you mentioned 6% to 8% inflation is what you manage this year. What about the next year in FY 2018, what is the thought process on content inflation and are you and Videocon jointly negotiating for content next year or will you do it individually right now?
- Jawahar Goel:** We are open to do the amalgamation in the month of September and that will be the time when we will be negotiating, discussion is there everybody is aware of it. The consolidated buying will definitely bring in the value. If you remember we had tried to create a Comnet which we did not start because TRAI started consultation process of new tariff and regulation. So, probably this will be the time that we should launch that consolidated power.
- Moderator:** Thank you. The next question is from the line of Amit Kumar from Investor Capital. Please go ahead.

- Amit Kumar:** Just two points from my end, this 35% margin I was just wondering how do we get here because we are looking at a revenue growth of anywhere between 7% to 9% for next year content cost inflation you mentioned will be in the same ballpark, so gross margins definitely do not seem to be getting there and gross margin we are sort of broadly taking about flat for next year. So, I am saying taking out Videocon out of the equation. But among your sort of overhead cost where do see that kind of savings essentially coming I was just wondering on that.
- Rajeev Dalmia:** So, we are just moving from 32.5% to 35% and that would not be difficult based on the calculation we have based on our current metric.
- Amit Kumar:** Yes, so I am just trying to understand, you are not getting the delta from a gross margin perspective. So, gross margin seemingly would be flat. Rs. 250 basis points purely from other expenses I was just wondering where will those savings essentially come from which line item.
- Rajeev Dalmia:** One immediate impact can be License Fee which we hope will be resolved moment the new Licensing Policy is announced. According to the market report it can move from say 10% to 8%. So, there is a straight gain of 2. Plus, we are already doing various cost item synergies within the organization to reduce the cost like call center and other services. Of course, the three other main areas which I have not calculated or which I have not factored is the tariff order, merger and GST.
- Amit Kumar:** Yes, I understood that point. I was just wondering on a like-to-like basis only. My second question was this Rs. 99 pack that you had I think that previously your requirement for the consumer to have three add on packs worth around Rs. 25 odd, I think those Rs. 25 packs have now gone out. So, I mean what is the bare minimum the consumer has to recharge with along with Rs. 99?
- Rajeev Dalmia:** Now, it is one pack of Rs. 60; so it is around say Rs. 160 in total.
- Amit Kumar:** All right. So, that has also come down essentially.

Rajeev Dalmia: Yes.

Amit Kumar: How many of your subscriber base is on this arrangement essentially very roughly as a percentage?

Rajeev Dalmia: See, 55% to 60% guys are on the lower pack ranging from Rs. 300 to below.

Amit Kumar: Okay. So, the basic pack can...

Rajeev Dalmia: Family and below.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Tarun Nanda for his closing comments.

Tarun Nanda: Thank you once again, ladies and gentlemen. We soon hope to have the transcript of this call on our website at www.dishtv.in. We will look forward to speak to you again at the end of the first quarter of fiscal year or even earlier on a one-on-one basis. Thank you and have a great day ahead.

This transcript has been suitably edited for ease of reading.