



DISH TV INDIA LIMITED

**1Q FY17 EARNINGS TELECONFERENCE
JULY 28, 2016, 4.30 P.M. INDIA TIME**

Moderator: Good day, ladies and gentlemen, and welcome to Dish TV India Limited Q1 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touch tone telephone. Please note, that this conference is being recorded. I now hand the conference over to Mr. Tarun Nanda. Thank you and over to you, sir.

Tarun Nanda: Good afternoon, ladies and gentlemen, and thank you for joining us today. We are here to discuss the results of Dish TV India Limited for the quarter ended 30th June, 2016. To discuss the results and performance joining us today is Mr. Jawahar Goel - Chairman and Managing Director, Dish TV India Limited along with senior management team of the company including Mr. Arun Kapoor - Chief Executive Officer and Mr. Rajeev Dalmia - Chief Financial Officer.

We will start with a brief statement from Mr. Jawahar 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 afternoon ladies and gentlemen and thank you for joining us today.

Dish TV added 402 thousand net subscribers during the first quarter reaching a net subscriber base of 14.9 million.

Buoyed by digitization, notwithstanding the relative seasonal weakness in 1Q, the industry collectively added around 15% higher subscribers compared to the same quarter last fiscal.

Dish TV maintained its lead in incremental subscriber additions during the quarter. Our strengthened distribution in DAS Phase III and IV areas along with the popularity of the Dish TV Insta Care-4-Hour Service Assurance Campaign were instrumental in helping us maintain an edge over competition. Our regional and mass-market offerings continued to remain crowd-pullers in respective geographies.

The consumers growing passion for HD has the potential to trigger yet another round of growth, beyond that being driven by digitization, for the DTH industry. Going forward, we would continue to build on our HD advantage while focusing on its sales across the country.

On the regulatory front, we continue to be optimistic about cost savings and margin expansion that should result from the implementation of GST. Also, an industry favourable resolution of the DTH license fee matter should go a long way in ensuring non-discrimination amongst various distribution platforms in the country. We are also hopeful of a just and logical outcome of the currently debated TRAI consultation paper on Interconnection Framework for Broadcasting TV Services Distributed through Addressable Systems.

Coming over to the financials;

Healthy subscriber additions led to a 12.3% Y-o-Y increase in subscription revenues and a 10.9% increase in operating revenues (on a like-to-like basis). EBITDA margin bounced to 34.0% from 32.0% in the corresponding quarter last fiscal. Net Profit for the quarter was Rs. 409 million leading to Free Cash Flow generation of Rs. 627 million. Churn for the quarter at 0.7% p.m. remained well within manageable limits.

With that, let me now open the floor for the Q&A session.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of V Subbaraman from Ambit Capital. Please go ahead.

V Subbarama: Just wanted to understand the subscriber addition has been very healthy. So, what proportion of Phase-III is still pending? And secondly, in terms of your guidance for the full year, what is the new guidance given that subscriber addition has remained buoyant, are you raising the guidance? Thanks.

Arun Kapoor: In Phase-III the total subscriber base was 50 million, the opportunity which was analog was about 20 million. So, out of the 50 we believe that about 43 million has been digitized and 6 million to 7 million still remain to be digitized in Phase-III. In terms of guidance, we are maintaining our guidance for the year which is gross additions of 3 million to 3.5 million. Higher end of 3.5 million will depend on how DAS-IV pans out. And we are maintaining our net additions guidance of 1.5 million to 1.9 million. Just a reference last year we did 1.5 million.

V Subbarama: Right. Sir, one small follow-up, off the new subscribers, what proportion are HD, Dish 99 and Zing? And the second one is, can you give split of the revenues?

Arun Kapoor: Okay, in terms of gross additions approximately 31% are HD, this is up from about 20% in the earlier periods, 13% is Zing and approximately 18% to 20% is the '99 Pack' which is Rs. 174 pack.

Rajeev Dalmia: On revenue split, subscription revenue is Rs. 728 crores, bandwidth Rs. 20 crores, advertisement Rs. 12 crores, lease rental 5 crores, teleport 5 crores and rest is sale of accessories.

Moderator: Thank you. Next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: Just two questions. So, firstly the ARPU for this quarter was flat Q-o-Q, and 1% growth on a Y-o-Y basis. To achieve your guidance of 3% to 4% increase for the year, your implied ARPU number for the rest of the year should be about Rs. 180 plus. So could you give us a better sense of, is this likely and if yes, how do you see the trajectory?

Arun Kapoor: Yes, we also had a price hike in March, but that took a couple of things to settle in. Two things have happened, one it got delayed and the second is that people because of price hike, it was a very steep price hike, steepest ever in DTH, so

people downgraded to lower packs, that is the reason you find the ARPU flat. We are maintaining our guidance of 3% to 4% for the year because in the coming quarters when season sets in we believe that the price hike which was announced will settle down and there is also a plan for another price hike around Diwali time. So we are maintaining a 3% to 4% guidance for the full year. And the other thing which has happened is that because full digitization did not happen in DAS III and that it was a very slow process as a result of which analog did not completely go out of the picture. So people actually downgraded to analog also from DTH.

Jawahar Goel: Actually because of the court stays in DAS III from various High Courts, the cable operators, LCO has started again the analog business and that is also one of the reason the price hike of DTH companies has not fully reflected in ARPUs.

Arun Kapoor: Just an add-on, our contribution to gross adds by HD has gone up from 18% to 20% earlier to 31%, there was a huge amount of focus on HD, which has a higher ARPU. This we also believe will be one of the contributing factors for increasing ARPU in the balance part of the year.

Parag Gupta: Okay, lovely. And the second question is on margins. Now, while your margins for the quarter are 34%, I think optically they look high because of your revenue base has gone down given the adjustment of Entertainment Tax. So, on a like-to-like basis, your margins are actually 32.6% for the quarter. Now when you posted the March quarter, you were talking about 150 basis point expansion in fiscal 2017 margins to take it to 35%, which means that your implied margins on the previous accounting method implies a 35% plus margin for the next three quarters. How likely do you think that is going to be? And are you likely going to be looking at lowering your margin guidance for the year on the back of this?

Rajeev Dalmia: Not really, actual margin strengthening will happen in quarter three and quarter four, as it was said just now that the full ramp up of the price hike and some kicking from the high value packs will result in strengthening of margin. This time we had two abnormal item, one was the bonus paid to the employees and the other was higher expenditure on the marketing. So these two has led to another 1.5% to 2% of the margin erosion, but this will be corrected in the coming

quarters. So we are quite hopeful that we will be able to maintain 35% on an annualized basis as against 33% in last year.

Parag Gupta: And may be just a follow-up on that, you are expecting margin expansion in the second half despite the fact that your content costs are going to be up for renegotiation. So you're saying all of that included, you are still saying that the margin expansion will be quite substantial in the subsequent quarters?

Rajeev Dalmia: We have already factored that into our consideration while committing 35% and we hope that we will be able to achieve despite renewal of the contract as far as content is concerned.

Moderator: Thank you. Next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Just on the ARPU front, Jawahar Ji, did mention that there was some shift from digital subscribers to analog again. But was that that significant, because if I look Q-o-Q, one, there is a benefit of a relatively high number of days in Q1? And secondly, as you are mentioning incremental HD subscribers' addition has been at 31%. Did that nullify the entire benefit off both these items put together?

Arun Kapoor: See, two - three things happened, one was what Jawahar Ji mentioned, secondly, the price increase did not really come in because people downgraded and most of the new subs coming in are also from the smaller towns. So the net effect of all this in spite of the higher contribution of HD was a relatively flat ARPU.

Ankur Periwal: Okay. Sir, just one follow-up on this. Broadly speaking, the quantum of price hikes which we took would have been similar across the other DTH players will that be your fair assumption?

Arun Kapoor: More or less, yes.

Ankur Periwal: But if we look at the numbers reported by the respective peers, let it be Videocon D2H or Bharti, there has been higher growth on a Q-o-Q basis so, are we missing something?

Rajeev Dalmia: Not really but as said earlier, we are still hopeful and we will be able to do 3% to 4% on annualized basis. We cannot comment on the ARPU percentage or hike about the others. But we will definitely evaluate.

Moderator: Thank you. Next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: My question is on your content cost content so, we have seen this rise at about 10%, and you have re-negotiations coming up I believe September onwards. So, do you think this can go up to 13% to 14% in 2nd half?

Jawahar Goel: I think what we are talking about is the margins that is after content inflation taking into account. Number two, we are expecting that in next 3-4 weeks there will be a new tariff order from TRAI. So there is also a talk that total landscape will change on how we do business, packaging, MRP & bouquet making. So many things may change, the guidance which we had given is taking into account the content cost.

Saurabh Kumar: But sir, if maybe the tariff order let us say not in the interest of broadcasters. There is an expectation that they will probably go and litigate it. So it will still take time for it to play out.

Jawahar Goel: Actually the telecom regulator has to do the regulation keeping in mind all section of the business including the consumer. So, I do not know whether your question is right, that it will be against broadcaster or the DTH or cable company or consumer so, we cannot comment on this.

Saurabh Kumar: Okay. And sir, just on your debt so, what is the debt and cash right now?

Rajeev Dalmia: Net debt is Rs. 700 crores, the cash is around Rs. 650 crores.

Moderator: Thank you. Next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: Sir, the ARPU calculation that we have given is after adjusting for the Entertainment Tax?

- Rajeev Dalmia:** Yes.
- Vikash Mantri:** So, it is like-to-like Rs. 174?
- Rajeev Dalmia:** Yes.
- Vikash Mantri:** Okay. Sir, you have mentioned that you try to harmonize it with accounting practice of others, but nobody else writes-off Entertainment Tax prior to revenues?
- Rajeev Dalmia:** No, one off the major competition is doing it from last two years and we have checked this with our lawyer and consulted the auditor and then only it was done. And it is the right way of projecting the account when we are collecting money from subscriber, it is presumed that we are also collecting Service Tax and Entertainment Tax. Hence, the revenue accruing to us would be netted out of those two taxes.
- Jawahar Goel:** Another thing is that Entertainment Tax normally they have been charging on gross basis, so, it was not applicable directly to DTH. But the tax authority tends to, if you are not showing separately then they tend to charge tax on tax. So, which becomes a huge burden in a state like UP so, that is why we have to do it and when GST comes next financial year, system will be well entrenched to take this into separate head.
- Moderator:** Thank you. Next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** Just want to know, is the Set Top Box cost and subscriber acquisition cost for Zing and Dish 99 lower or different than the standard Set Top Box?
- Rajeev Dalmia:** See the average SAC was 1,575 for the quarter. Now, the difference between the two is coming down, I do not think it is more than Rs. 100 though we have not calculated separately. The difference between HD and Standard STB is Rs. 250.
- Jai Doshi:** And last quarter you mentioned that you have stopped ordering standard boxes and starting this December you will order only HD boxes; does that still hold?

- Jawahar Goel:** We have stopped ordering MPEG-2 boxes about 2-3 years back. We have three different products, High Definition with recording, Standard Definition with recording, for Zing we are doing Standard Definition without recording, so, there are three products.
- Jai Doshi:** Okay. And sir, one question, you have mentioned in past that profitability for Zing and Dish 99 is higher because content cost as a percentage of revenue, probably in those products is lower than usual standard definition. But with 25% - 30% lower ARPU for those products and your absolute EBITDA per subscriber will be lower to that extent even or maybe a little even if margin is higher. And with a similar Set Top Box cost, how do you see, are you worried that if you are able to sort of if 30% - 40% - 50% of your subscriber additions come from this portfolio. Then at a certain point of time in the medium-term, you will start seeing it affecting your return on capital employed?
- Jawahar Goel:** No, actually, when we started the Zing brand we started with a low ARPU and now we had increased the price. Our minimum price for Zing is also Rs. 174 same as Dish TV which is say Rs. 99 plus three package under Rs. 74. So, we have taken the price up but definitely the content cost in Zing product is low.
- Rajeev Dalmia:** See as far as the margin is concerned, yes the gross margin on these two products are high because of the lower content cost but of course, because of the absolute amount subscriber acquisition cost is slightly elongated. But it was factored when we launched this product.
- Jai Doshi:** Understood. Did 'Dish 99' contribute 31% or 13%?
- Rajeev Dalmia:** Our Dish 99 or 174 product is between 18% to 20% of gross adds, High Definition is 31% of gross adds.
- Jai Doshi:** And Zing would be another 18% - 20%?
- Rajeev Dalmia:** No, this is about 13%.
- Moderator:** Thank you. Next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: I have a question on accounting policy. So, once again, we have changed for the ARPU or subscription revenue front. When we had launched Zing, it was ARPU dilutive that time also we had included activation and now when GST is going to get passed e-Tax is netted off from ARPU. So, optically ARPU might look better in FY2018, if GST is implemented, but these accounting policy changes are making it difficult to analyze the underlying ARPU strength. So, how to go about it over here?

Rajeev Dalmia: This quarter also we have said that this change was not in the ARPU and this is for the benefit of the company if it is netted off from the revenue line then we have saving around Rs. 20 crores and may be another Rs. 20 crores on the license fee, plus it is a fair representation of the taxation regime prevailing in different states having different taxation percentage. Otherwise, it was one figure fits all, it was not coming out to be fair. So, now each state we can say that it is being collected and this is the amount and this is the amount which is being deposited with that state.

Naval Seth: And sir, Rs. 40 crores number is the annual saving for you?

Rajeev Dalmia: Yes, Rs. 20 crores plus Rs. 20 crores because we paid Rs. 170 crores Entertainment Tax last year so, if we reduce it from the subscription revenue you will see around Rs. 18 crores and may be if we remove Rs. 18 crores then the relevant saving in the license fee be equivalent of that. So straight forward Rs. 18 crores we can save from the license fee. So total saving will be in the range of Rs. 35 crores to Rs. 40 crores.

Naval Seth: What was the savings sir, last year, because last year the change was also there?

Rajeev Dalmia: No, it was collection cost, so in collection cost it was around Rs. 105 crores, so we saved around Rs. 10 crores for license fees.

Moderator: Thank you. Next question is from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

- Dipesh Mehta:** Just want to understand the margin guidance. The 35 percentage what we are guiding, is this like-to-like on the way accounting happened in FY'16 or on the way now, we have changed the accounting for Entertainment Tax.
- Rajeev Dalmia:** It is like-to-like compared to FY16
- Dipesh Mehta:** So on reported basis, it would be almost 36% - 36.5% kind of thing, based on what the new accounting we adopted in terms of Entertainment Tax. That is right to assume?
- Rajeev Dalmia:** Yes.
- Dipesh Mehta:** Okay. And second question is about the tax rate. Now, what one should assume about tax rate constraining the deferred tax benefit factored into last year numbers, and now this quarter is full tax rate kind of thing?
- Rajeev Dalmia:** See this quarter also we had deferred tax of around Rs. 21 crores but the full tax was Rs. 43 crores and hence tax netted in the accounts is Rs. 23 crores. It will continue this year also because there is a difference between the depreciation of Income Tax act and Companies Act as it is not resolved this will continue because we have assumed our box life to be five years but in Income Tax act it is only 12.5%-13%. As far as the economic rate or tax rate is concerned it will be full tax rate for the whole year but which will be netted off against the deferred tax but the payout will be full tax rate of 35%.
- If you look at the P&L this quarter we have provided for tax Rs. 43 crores but it was netted off because of deferred tax by Rs. 21 crores so, the net is around Rs. 22 crores which is appearing in the profit and loss account. Same happened in the last year also.
- Dipesh Mehta:** So you expect this run rate from Effective Tax rate perspective likely to be reflected into P&L going forward.
- Rajeev Dalmia:** Yes.

- Moderator:** Thank you. Next question is from the line of Bhautik Chavan from Sam Capital Services. Please go ahead
- Bhautik Chavan:** Just a couple of questions from my side, sir, how much inventory of boxes do we have in the books?
- Rajeev Dalmia:** 850,000 plus with the trade.
- Bhautik Chavan:** Okay. Sir, how much increment in margin do we expect if GST will get passed?
- Jawahar Goel:** This event will be in the next financial year and the Service Tax, SAD and Entertainment Tax everything put together we believe that 3% to 4% margins can be increased but this all depends on the industry how our peers take it at that time.
- Bhautik Chavan:** Okay. Sir, how do we see our subscription revenue and ARPU going forward?
- Rajeev Dalmia:** In terms of guidance we see our revenue going up by 12% to 15% for the full financial year and ARPU going up by about 3% to 4%.
- Bhautik Chavan:** Okay. And how much CAPEX we have incurred in quarter one?
- Rajeev Dalmia:** It was Rs. 215 crores.
- Bhautik Chavan:** Rs. 215 crores. And guidance for FY'17?
- Rajeev Dalmia:** It will be in the range Rs. 850 crores to Rs. 900 crores.
- Moderator:** Thank you. Next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Sir, regarding the license fees saving because of change in treatment of Entertainment Tax. So is it already reflecting in P&L for the first quarter?
- Rajeev Dalmia:** No, it will reflect in fourth quarter.

- Yogesh Kirve:** Right, and secondly if you look at our segmental reporting, so for the first quarter or FY'16, there seems to some revisions where DTH revenues have gone up and the infrastructure support services revenues have gone down. So, what is that on account of?
- Rajeev Dalmia:** You should look at the consolidated level because this Dish Infra is a 100% subsidiary so, there may be some cancellation of item because of audit issues.
- Yogesh Kirve:** Sir, and finally, so we are getting to hear the media reports that government has accepting the TRAI recommendation on the DTH licensing norm. So, just wanted to understand what implications it could have on our licence fee payout both on P&L front as well as the cash flow front, because the TRAI recommendation have said, the license fee rate would be 8% and if it would be about 7.7%, but it does not allow for any of the pass-through. So, could you help us understand what could be implications?
- Jawahar Goel:** Our licence is going to be from 1st October, 2013. The recommendation is as you had rightly said 8% AGR. As per media report the cabinet note will come in three weeks' time so more than that I will not like to comment till the cabinet decision.
- Moderator:** Thank you. Next question is from the line of Alwin Shah from Athena Investments. Please go ahead.
- Alwin Shah:** The first question is on the accounting policy of Set Top Box, sir how much is the payment received from the new customer is recognized up front in revenues and how much is lease rental received in advance if you can share the break-up please?
- Rajeev Dalmia:** It is around Rs. 950 to Rs. 1,000 per subscriber which is received in advance and lease rental we have around Rs. 15 crores now left to be recognized wherein this is the last year when earnings we will get in the lease rental. Otherwise, we exhausted the lease rental.
- Alwin Shah:** Sir, second question is on the Phase-IV implementation. So, in your view when you expect implementation of Phase-IV to be over since the Phase-III whose

guideline was still going on and Phase-IV guideline is less than six months away and what is your internal expectation?

Jawahar Goel: Well as per market information the stay orders which were there from various High Courts is going to be listed on 11th of August, that is one. Number two, the government is already in the process of auctioning the cable frequency for Telco starting from 700 MHz upward and also at a band which is 200 MHz which is currently used by cable companies is going to be auctioned for Telcos. So, if the Central government's interest of Rs. 2 lakh crores on sale of frequency can be assumed then the government will not extend the deadline. So Phase-IV will happen on time this is what is the current communication.

Arun Kapoor: Yes. And we believe that there will not be a certain black out one day, it will probably phase out the way DAS-III happened.

Alwin Shah: Okay. And sir, in this phase what kind of competitive intensity do we expect and the kind of impact on ARPU do you expect?

Arun Kapoor: Okay. You see DAS-IV is a very big opportunity, total figure market ranges from 35 million to 50 million and the opportunity could be as big as 30 million - 35 million. So intensity will be there but then so is the opportunity. And in terms of strategy, it is not going to be very different from what happened in DAS-III. Yes, there will be some pressure on ARPUs but no different from DAS-III and these will be offset by focus of all companies on HD in the bigger towns. So to answer your question yes, there will be some pressure but nothing extraordinary and there will be balancing forces also.

Moderator: Thank you. Next question is from the line of Jatin from Credit Suisse. Please go ahead.

Jatin: Just a quick clarification on this license fees, from which quarter does the savings start accruing?

Rajeev Dalmia: We will recognize in the fourth quarter.

Jatin: Okay. The entire amount?

- Rajeev Dalmia:** Yes, at the time of annual account.
- Moderator:** Thank you. Next question is from the line of Ronak Morjaria from Edelweiss Mutual Fund. Please go ahead.
- Ronak Morjaria:** So, what was the subsidy given on the Set Top Box in this quarter?
- Rajeev Dalmia:** The subscriber acquisition cost was Rs. 1,570. Subsidy was Rs. 900 to Rs. 1,000 depending on type of box.
- Ronak Morjaria:** Okay. So, going ahead, since Phase-III and Phase-IV would be in the rural regions, would you be increasing the subsidy in order to add new subscribers?
- Rajeev Dalmia:** No, we will not because we already have a product called Zing which will be populated.
- Arun Kapoor:** In the earlier question I said that the expansion will happen and the manner will be not very different from what happened in DAS-III. So, we anyway have a very strong regional product Zing which is linguistically across states and Rs. 99/174 pack will be the penetration pack. So the dynamics will not be very different from what happened in Phase-III.
- Moderator:** Thank you. Next question is from the line of Rahul Maheshwari from IDBI Mutual Fund. Please go ahead.
- R Maheshwari:** I have three questions. First, can you give a break-up on your net subscribers, which is 14.9 million as reported in quarter one, out of that, how much comprises of HD, Zing and Dish 99. Second is, can you give an average ARPU on the HD subscriber? And the third in the recent release, you have got selected the Wyplay's Frog as the Set Top Box, which you would be tying-up. So, can you throw some color about what would be the Set Top Box prices and what kind of features of savings you would be having? Thank you.
- Arun Kapoor:** We normally do not give this break up, but since you have asked for it specifically. Approximately 11% of our net sub base is High Definition, this is one. In terms of HD ARPU, it is Rs.390.

- R Maheshwari:** Including Service Tax?
- Rajeev Dalmia:** Yes, including Service Tax.
- Jawahar Goel:** The Wyplay's is the middleware and in the upcoming festival season we are preparing for the new generation boxes which will have a HTML capability.
- R Maheshwari:** So, would it be higher than the Rs. 1,570, which is the current subscriber acquisition cost
- Jawahar Goel:** The prices are in the same range we are not changing.
- R Maheshwari:** Okay. And in terms of the net adds, how much pertains to Zing, can you give that number or the percentage of subscriber?
- Arun Kapoor:** Yes, 31% approximately is HD and Zing is about 13%, the 99 product is 18% to 20%.
- R Maheshwari:** And this is for the entire till date you are talking of?
- Arun Kapoor:** This is for the incremental gross adds. Just to add on the Wyplay thing, the Wyplay is not only just about pricing and costs, it is about a significantly enhanced consumer interface and experience.
- Moderator:** Thank you. Next question is from the line of Miten Lathiya from HDFC Mutual Fund. Please go ahead.
- Miten Lathiya:** Just for clarification, when we get the new DTH license and if that comes with a lower license fee, would we be able to claim retrospective credit for higher license fee that we have paid till date is that how it will work?
- Jawahar Goel:** We do not know how it is being accepted. But TRAI recommendation was backdated in 2014 and we had given undertaking that new policy will be acceptable. We are under deemed extension, there is another DTH player whose license is now in our same category as in deemed extension. There are three portion of it, one is the prior period of the previous license regime, another is the interim period from when they accept our license was expired and third issue is

the interest portion which we had put it in our P&L around Rs. 300 crores. So that is another factor. Let us see what is communicated to us.

Miten Lathiya: Okay. I was asking about, normal license fee that we are paying today, pending finalization of the license itself so, that bid should become clear immediately, the one portion that you are providing in your P&L in the absence of the new license.

Jawahar Goel: Normally, it happens from the date of the previous expire. So this is what we expect.

Moderator: Thank you. Next question is from the line of Gautami Desai from Chanakya Capital. Please go ahead.

Gautami Desai: Jawahar Ji, I am sorry, I did not understand 2 lakh crores sale of frequency and the relation of that with quick digitization, can you please explain in detail please?

Jawahar Goel: See the normal cable plant is from 45 megahertz to 866 megahertz. So, that is why the government and globally they are digitizing the cable, so that the more frequency can be made available for telecom player and for data player. So now government has already taken a decision that to take away the frequency from 700 onward for telecom, there is also a media report that some band at the 200 megahertz which is being used by cable is also going to be taken away from cable companies for Telcos. So, the value of these frequency to be auctioned is estimated to be Rs. 2 lakh crores. So, the government interest is built with the digitization. This is the silver line that the government will do tooth and nail to digitalize the country. It is more of a political issue and revenue issue for the government.

Moderator: Thank you. Next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: So, when you introduce a new Set Top Box like you are introducing Wyplay. If an existing customer wants to move onto this new Set Top Box, how much would you charge? And in that situation, like the new Set Top Box is more attractive and more customers do it, what would you do with the older boxes?

- Jawahar Goel:** These new boxes will be available and start deploying from quarter four. Number two, there is always an upgrade scheme available to the consumer. That they upgrade to the new box like we are doing from MPEG-2 to High Definition upgrade which we are doing against some fee charge from consumer. So there will be some schemes to upgrade.
- Kunal Vora:** Okay. And what do you do with the refurbish boxes, are you like you are putting them back into the market?
- Rajeev Dalmia:** They can used as swap boxes.
- Kunal Vora:** Understood, okay. And second question is what proportion of the customers who have High Definition boxes are adopting High Definition service?
- Arun Kapoor:** It is a larger number we are seeding, so that going forward upgrades are easy. We are seeding a larger number of boxes.
- Kunal Vora:** Sure. But my question was more of all your installed base, like you will have X number of customers...
- Rajeev Dalmia:** See that is a part of sachet. So, it is very difficult to quantify that number, it will be changing on a month on month basis.
- Arun Kapoor:** And sachet packing is a very recent phenomena also.
- Kunal Vora:** Sure. So, are you implying that, most of the customers who currently have High Definition Set Top Box are actually paying for the additional costs?
- Arun Kapoor:** Yes.
- Moderator:** Thank you. Next question is from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** My first question pertains to investment that you are doing behind the brand, the advertising and brand building investments, we have seen a decent jump in the last two quarters, the sense that we got even in the previous concalls is that that the investment will sort of continue during the course of the year, given the fact

that there is Phase-III then Phase-IV, etc., and, company had not been advertising and marketing for a while. In this particular quarter, at least for this month we have not really seen much. So, has that sort of thought changed or any sort of color that you can give?

Arun Kapoor: This is typically low season, we did have cricket in the first month and as we are approaching the season, second quarter is also traditionally the lowest one and we will see usually intense competitive activity starting from quarter three and that is when we put our money behind the brands but yes, investment will continue throughout the year as and when required.

Amit Kumar: Just, sort of quick follow-up on this but, would not the analog deadline get implemented and even the festival season is starting early this time around?

Arun Kapoor: See, Diwali is in the last week of October, Pooja comes sometime in the middle of October. So, pushing stocks begin in the first week of September, so marketing activity will start around that time and will go on till February.

Amit Kumar: All right, got it. My second point was, could you give us a little bit of color, you think you've done a couple of tie-ups with e-Commerce players and one with TV manufacturer, Panasonic as well. So, if you could give some color on these and what is the kind of uplift in terms of gross adds that you are seeing on account of these tie-ups?

Jawahar Goel: See these experiments will keep on happening. The TV manufacturer they want to have additional market share so they are integrating our box into their TV Sets without having any implication of this. We will continue to sell our subscription and the CAM card. So these things have been done by other DTH player as well. We are also doing it. Number two, e-Commerce is another factor which we keep on experimenting with the various players and some of them will click, some of them may not click it, currently we are doing around 4,000 subscriber additions through the e-Commerce portal.

Amit Kumar: This 4,000 is on a monthly basis?

Jawahar Goel: Yes, monthly basis.

- Moderator:** Thank you. Next we have a follow-up question from the line of Vikash Mantri from ICICI Securities. Please go ahead.
- Vikash Mantri:** Sir, can you explain me back the benefit of trying to netting off Entertainment Tax to the tune of Rs. 40 crores, but you said, I can understand 10% of license fee is what the first element you explained, what is the other element?
- Rajeev Dalmia:** See when we collect Rs. 100 earlier we used to deduct 15% Service Tax and on Rs. 85 we use to pay Entertainment Tax. Now when we collect Rs. 100, we will reduce Service Tax Rs. 15 and Entertainment Tax which is Rs. 6 or Rs. 7 so, on balance 81-82 we will pay Entertainment Tax
- Vikash Mantri:** Yes. So that is what is your saving on license fee on that?
- Rajeev Dalmia:** Yes, 10% on that account and 10% on license fee account.
- Vikash Mantri:** Sir, TRAI recommended the 8% license fee regime, at least made a recommendation, was that after that Entertainment Tax will be subsumed. So the allowed Entertainment Tax to be netted off after that.
- Rajeev Dalmia:** No, it is not a question of TRAI. Entertainment Tax is a subject matter of state. So based on the statues that we have studied of various state government is that you have to pay Entertainment Tax out of the amount collected from subscriber
- Jawahar Goel:** And also, we are making provision in the books at 10% after netting out the Service Tax. Now, we will netting of Entertainment Tax as well. This is what TRAI recommended. So, that is how the state is calculating 7.7% or 7.6% license fees as against roughly 8.5% or so.
- Rajeev Dalmia:** As we said, it will be adjusted in the fourth quarter because we are still consulting auditor and lawyer that how do we do it that is why in this quarter license fee we have not adjusted.
- Vikash Mantri:** True, sir.
- Moderator:** Thank you. We take next question from the line of V Subbaraman from Ambit Capital. Please go ahead.

- V Subbaraman:** Sir, just a couple of small questions one is on the warranty cost, so I see there a lot of promotional packages are now offering warranties to consumers if they take long duration bags. So what impact does this have on your operating cost on say per box basis on per annum that is one? And other one is on the regulation based on your discussions with the regulators what is the model that the regulator is most likely to adopt because the TRAI had suggested several integrated model, RIO model and so on. So, what models is that TRAI inclined towards. Thanks.
- Rajeev Dalmia:** See as far as warranty is concerned we are providing warranty for the first six month for the installation and paying around Rs. 150 to the service franchises. For the subsequent period we are not providing any warranty and it has been settled with the service franchise and subscriber and he gets paid from the subscriber.
- Jawahar Goel:** On the TRAI regulation there are many model discussed as you rightly said, we do not want to make speculation. We have to wait for the next five weeks to six weeks before they come up and the likely date of implementation of the new recommendations will be somewhere starting from January 2017. So, let us wait for six weeks.
- V Subbaraman:** Right. Sir, just a small follow-up on the warranty part, my question was with respect to the new long duration packages where warranty is being bundled to be subscriber. There, what are we providing in the P&L?
- Rajeev Dalmia:** You mean to say a new subscriber or existing?
- V Subbaraman:** No, sir the existing subscribers, the long duration renewals that they do, they get free warranty as well.
- Rajeev Dalmia:** No, it is in some of the schemes which is promoted for bundling with say six months' payout or 12 months' payout but that proportion is very small.
- V Subbaraman:** Okay. So, you do not expect this to be a larger trend given that you would want to retain subscribers.
- Rajeev Dalmia:** Once the industry matures then it will be there.

- Jawahar Goel:** See, our Dish TV payment comes from the housewife's budget, she only pays month-on-month.
- Moderator:** Thank you. We take the last question from the line of Ratan Juneja from Marigold. Please go ahead.
- Ratan Juneja:** I have two questions – one is on the DTH license fee. Since cable companies are not yet liable to pay license fee and once this new regime comes, they will be liable. What is the impact on DTH companies on ARPU?
- Jawahar Goel:** Actually there is no proposal to charge license fees from cable companies currently. The DTH company has agitated before the TRAI, MIB as well as the in the court that there is a discrimination in terms head-end in the sky operator, cable companies, IPTV, OTT platforms and broadcasters. So, this is the discrimination issue which the DTH companies have agitated. But currently there is no proposal in the consideration.
- Ratan Juneja:** My second question is on the media reports recently about infrastructure sharing, satellite costs and other things. If this policy comes out, what is the extent of sharing that we can have on our infrastructure costs?
- Jawahar Goel:** Well everybody has built the platform on different satellite orbit location, but this will be enabling regulation for any new player coming in or any new player in the DTH or head-end in the sky. I think the sharing of infrastructure like in telecom and FM radio, the government is also envisaging that it should also be consider in the licensing regime. You will appreciate that in India most of the satellite capacity is consumed by the entertainment industry and media industry. The distribution of data through satellite by virtue of that consumption is expensive so, they want to have VSAT kind of operation and satellite communication in the far flung area. So that is why government wants to conserve the satellite consumption and also too much crowded sky is again interference and as far as security is concerned. We welcome this move.
- Ratan Juneja:** This new Set Top Box Wyplay that is going to come in. Is it going to be across multiple devices? Likely able to have it on my phone also?

Jawahar Goel: Well this is the product line which we have. The first box will not have this apparently the higher version will have access to more than four devices to view content.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over the floor back to Mr. Tarun Nanda for his closing comments. Over to you, sir!

Tarun Nanda: Thank you once again for joining us ladies & gentlemen. We soon hope to have the transcript of this call uploaded on our website www.dishtv.in. Look forward to speak to you again at the end of the second quarter of fiscal 2017 or even earlier on a one on one basis. Thank you and have a great day.

This transcript has been suitably edited for ease of reading.

