DISH TV INDIA LIMITED

2Q FY17 EARNINGS TELECONFERENCE
OCTOBER 28, 2016, 5.00 P.M. INDIA TIME

Moderator: Ladies and gentlemen, good day and welcome to Dish TV India Limited Q2 FY17 Earnings Conference Call. 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 indicate the operator by pressing '*' and then '0' on your touchtone phone. 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, Mr. Nanda.

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 quarter ended September 30, 2016. To discuss the results and performance joining me today is Mr. Jawahar Goel – Chairman and Managing Director of Dish TV India Limited, along with the Senior Management Team, including Mr. Arun Kapoor – Chief Executive Officer and Mr. Rajeev Dalmia – Chief Financial Officer.

We will start with a brief statement from Mr. Goel and we will then open the discussion for questions and answers. I would like to remind everybody that anything that we share during this call that refers to our 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 259 thousand net subscribers during the second quarter of fiscal 2017 reaching a net subscriber base of 15.1 million at the end of the quarter.

Though the second quarter of the fiscal is usually not the best for the DTH industry, our subscriber additions during the period remained largely in-line with expectations. With the festival season arriving early and with Phase 4 of Digitization due this year, we remain confident of being able to add more than 1.5 million net subscribers during the current fiscal.

The beginning of the current quarter was marked with heightened activity at the regulatory front, multiple draft orders; the draft Tariff Order, 2016, the draft Interconnection Regulations, 2016 and the draft Quality of Service 2016 were released by the sector regulator.

While the draft Regulations have been formulated with an intention of subscriber welfare, there are certain omissions, optimistic presumptions as well as unanswered questions that would hopefully be addressed once the final orders see the light of the day. We appreciate the spirit of transparency and non-discrimination that have been the guiding force behind these draft orders and hope that DTH would soon get the level playing field that it has been seeking. Restrictions placed on carriage fees should go a long way in correcting the industry macro environment.

We continue to remain positive about other regulatory interventions including the proposed new license regime for the DTH sector and the impending nationwide roll-out of Goods and Services Tax (GST). The centre's proposal of 12% and 18% as the standard rates for majority of the taxable goods is a welcome step.

Coming over to our financial performance for the quarter:

Subscription revenues increased by 11.9% to Rs. 7,288 million as compared to Rs 6,514 million in the corresponding quarter last fiscal. Operating revenues of Rs. 7,793 million were up 9.6% Y-o-Y. EBITDA continued to improve and was higher at Rs 2,642 million as compared to Rs 2,550 million in the corresponding quarter last year.

EBITDA margin came in at 33.9%.

Churn for the quarter was slightly higher and came in at a little over 0.8% p.m. as compared to an average of 0.7% p.m. during the last few quarters. Churn however continues to remain well within manageable limits. Net Profit for the quarter was Rs. 701 million and the resultant Free Cash Flow was Rs.791 million.

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

Moderator: Thank you. We will now begin with the question and answer session. We take the first question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

V. Subbaraman: A couple of questions, one on the maintenance side of things. So, your revenue split SAC and gross adds in the first half? That's question one. And secondly, I want you to discuss a bit more about the reported ARPU number of Rs. 162. If I understand correctly last quarter, we have already transitioned to the new accounting standard where essentially our entertainment tax is netted off from revenue. So, if I compare your ARPU on a quarter-on-quarter basis dividing your subscription revenue by average net subscribers, I see that the ARPU on a quarter-on-quarter basis has changed from Rs. 166 to Rs. 162. So, what am I missing here, is it so that ARPU has declined quarter-on-quarter? And also can you help walk us through the various factors affecting ARPU, namely the proportion of new subscribers who update for Zing Dish 99, HD and so on? Thanks.

Rajeev Dalmia: On break up first, break up for the quarter Rs. 728 crore was the subscription revenue, lease rental Rs. 4 crore, bandwidth Rs. 25 crore, advertisement Rs. 12 crore, other income Rs. 6 crore. Is that okay?

V. Subbaraman: Yes, sir. So SAC and churn?

Arun Kapoor: SAC was Rs. 1,590 and churn was 0.8% plus, it was slightly higher than 0.8%, so it was 0.8% per month. Now coming back to the composition of the subscribers that we acquired in the last quarter, it was around 12% Zing, around 20% to 22% on 99 bracket, which is 174, we had 30% HD and the balance was normally standard definition. Why ARPU was low? Because the revenue was flat and we added around 260,000 subscribers, so there was a dip of around Rs. 3 from a quarter-to-quarter basis.

V. Subbaraman: So you are saying that the decline in ARPU is mainly due to the lower gross adds on a quarter-on-quarter basis, is that correct?

Arun Kapoor: Not due to lower gross add alone, it was also due to the 99 pack, plus we also had an impact of 0.5% to 1% service tax which was not there. So, that took away around Rs. 7 crores. And we have a huge pressure from Zing and 99 packs which is taking away some of the benefits of HD additions, and we hope this will correct in the next three, four quarters.

V. Subbaraman: And persisting on ARPU, now that the first half has been relatively muted in ARPU growth, would you want to revisit your guidance for the full year which is 3% - 4% ARPU growth?

Arun Kapoor: See, looking at the environment and all the things which are happening on tariff, interconnect, DAS-III, it is becoming increasingly difficult for us to give any guidance on ARPU. So, we would rather focus on revenue and subscriber additions and for the moment not give any guidance on ARPU.

Moderator: Thank you. We have the next question from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Again on ARPU sir, the consumer companies are also reporting weak numbers and they are facing distress because of weak rural spending. DTH being a rural category, are you seeing similar pressures in rural areas and are consumers delaying recharges or down trading? What is happening like say urban versus rural, if any you can provide insights? And what is your contribution from rural markets? This is question number one.

Arun Kapoor: You see, if you take the top 100 cities, that is about 35%-odd of our business, and in towns beyond the top 100 is about 65%. So, when you say that contributions are coming higher from the rural markets, it is absolutely bang on, it is correct. I think two things are playing out, there is a huge amount of focus on HD which is happening in the bigger towns, but in the smaller town two, three things are playing out. One, we have this 99 plus 75 penetration pack, the entire industry has it, that is getting sold in the smaller markets. There is a certain element of down trading which is happening because people are shifting from the

Rs. 270 pack down to this. The other big thing which is impacting our business has to do with cable. Cable monetization in DAS-III is not happening, whereas cable is collecting Rs. 100 in the metro towns is anything between Rs. 30 to Rs. 50 in the smaller towns. That is putting a huge amount of pressure on the DTH business. So, there is a linkage there also, why ARPUs remain muted.

Kunal Vora: Sir, second one is on the box prices, have you lowered the prices?

Arun Kapoor: No, it has not been lowered.

Kunal Vora: I will tell you where I am coming from. So, when I look at Snapdeal, high definition set top box along with one month free service is available for Rs. 1,300. Is this the pricing which you had like say for some time, because I thought it is lower compared to what you had earlier?

Rajeev Dalmia: No, in Snapdeal we do not charge the dealer commission, distributor commission and few other recharge commissions. If you add that, we are more or less there as we were before.

Arun Kapoor: Our realization is no different, it is just that online business, and this is the way everybody does this.

This was not a channel till a year back, it is a new channel, it is doing well, and we are getting numbers from there. And let's face it, this is also partly the future, it will coexist with brick and mortar.

Kunal Vora: So, the subscriber acquisition costs on that channel will be higher compared to your regular channel?

Jawahar Goel: No.

Kunal Vora: And lastly, industry churn rate seems to be inching up, I think your competition also has reported slightly higher churn rates. Any reasons for that?

Rajeev Dalmia: No, actually if you see the second quarter last year also, it was 1.2% - 1.1% for other players, and for us also it has moved by say 0.1%. But it generally gets corrected in third and fourth quarter.

Arun Kapoor: You see quarter two is traditionally, from a seasonality perspective, the softest and the weakest quarter, because it is the monsoon quarter. And typically all metrics goes out. But now we are heading into the peak quarter, October to December festive season in all metrics, including churn will start moving down now.

Moderator: Thank you. We have the next question from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: A couple of questions, firstly on EBITDA margins. You have guided for 150 basis point expansion in margins in this year, now this was comparable to the numbers of last year when you were not netting off entertainment tax and your margins were at 33.5%, so you are basically saying we should be at about 35% for fiscal 2017. Do you still hold that margin number or do you think there will be a slip off on margins? And if you were to net off entertainment taxes, last year it was 35.4%, so is there a possibility for us to get this closer to 37% for this year? So that is my first question.

Arun Kapoor: It will be anywhere between 35% to 37%, we have maintained 34% in the last two quarters.

Jawahar Goel: See, adding with this that we had also expected the license fees to adopt the 8% AGR. So that has not been given effect. The cabinet nod is under circulation and that is why the government has provisionally extended our license till March 31, 2017. So, hopefully in a months' time we will get that letter, so the 2% - 2.5% margin expansion will in any case will happen only on license fee terms.

Parag Gupta: So, would it be right to say, Jawahar Ji, that if this 8% were not to happen then to that extent, the 2% additional margin gains will not come this year for sure then?

Rajeev Dalmia: Yes, it will be anywhere between 35% to 37%.

Jawahar Goel: But it has to be effective like our license was due for renewal from October 2013.

Parag Gupta: Okay. If you could just give us a better sense of, Rajeev, if you could give us a sense of how do you see interest expense and tax expense for the year?

Rajeev Dalmia: The tax expense will be around Rs. 100 crores for the year and interest will be more or less in line with the last six months. Because we are not borrowing fresh, we will in fact reduce Rs. 100 crore at the end of the year.

Parag Gupta: And could you just help us with what was your closing balances of gross debt and cash?

Rajeev Dalmia: It was Rs. 1,275 crores gross debt, and net debt was Rs. 625 crores.

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

Rohit Dokania: Just two questions from my side. If I look at your content inflation that has already been almost 13% to 14% odd for the first half, whereas both deals with Star and Zee are supposed to be renewed in the second half. So, could you please help us as to where does the full year content inflation number look like?

Rajeev Dalmia: See, in this quarter there was an aberration of around Rs. 12 crores, which was one-off. If I remove that then it is in line with our guided numbers, around 8% to 10% growth in the content cost. We hope in the next two quarter there will not be any one-off.

Rohit Dokania: So you maintain that barring this one-off the like-to-like should be 8% to 10% for the full year?

Arun Kapoor: Yes. One small correction here, it was never 8% to 10%, it was 10% to 12%. And we have two big deals coming up, and with all regulations coming in, I think we will be able to get good beneficial terms. So we are maintaining the guidance.

Rohit Dokania: And just a small follow-up on this particular piece, what is this Rs. 12 crore pertaining to?

Rajeev Dalmia: It is relating to some of the sports division for which there were some disputes, later on it was settled and we paid amicably.

Rohit Dokania: And before the second question would be you know, if Jawahar Ji if you can throw some light on what exactly are the omissions or the clarifications that he believes is a part of the tariff orders that needs to be clarified from the regulator that would be very helpful.

Jawahar Goel: Actually, these are a whole list of the things which we had discussed with TRAI. One thing is that when they say that HD channel will be counted as two SD channel from this year, but for the broadcaster they are now bringing price under the regulation and maximum three times is what they are allowing. Then we raised this issue that for DPI you are saying that two SD channel is equivalent to HD. But on SD front, you are saying on three SD channel is equal to one HD channel. Same way, there was also provision that can you do multiple booking and give discounts, entry level discounts etc which they say is permissible. But, I think the draft has some things in its pocket. Another thing is that geographical pricing, is a huge concern of DPOs that we cannot publicize nine different pricings for the channels and etc. So which they say that they will look into this. But as we have to wait the final tariff order and only then we will see that.

Rohit Dokania: And just last point sir, so I think the strength of the DTH has been packaging and the fact that the discounts are being limited to overall 35% out of which 20% is distribution fee. Don't you think that from a long-term perspective this actually probably hinders your ability to take ARPU increase year-on-year?

Jawahar Goel: Yes, you can say that. But with marketing and placement fees, being keeping out of the regulation, the introductory freebies, all these things mix together, I think life will carry on mostly and Arun will add-on here.

Arun Kapoor: Just a small add-on point. Till now all the content aggregators, who are actually B2B businesses. Now they have to become B2C businesses. So, I think going forward we will see a fair amount of partnering happening between the DPOs and the broadcasters. And on channel individuals, channel marketing front. So eventually that will result in the ARPUs actually going up. That is going to be one direct outcome of this type of growth.

Moderator: Thank you. We have the next question from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Happy Diwali to you guys. My first question is on CAPEX, so what is the CAPEX for this quarter and first half?

Rajeev Dalmia: It was Rs. 180 crore this quarter, and for the six months, it was around Rs. 350 crore.

Saurabh Kumar: And full year, this should be Rs. 700 crores odd?

Rajeev Dalmia: Rs. 800 crores.

Saurabh Kumar: And sir, if I just look at your cash flow profile, so if I look at PAT plus depreciation for first half, so I get to something like Rs. 435 crores for the first half. Whereas, our free cash is only Rs. 180, if I am not wrong, Rs. 155 crores for first half.

Rajeev Dalmia: Yeah, because one of the item which is not forming part of that depreciation is the box purchase, you need to minus the box purchase then you get this number.

Saurabh Kumar: So basically the CAPEX is running ahead of depreciation right, so that is way?

Rajeev Dalmia: That maybe for another three, four quarters, then it will be at par. More or less, we are already 80-20 type.

Saurabh Kumar: And sir, just coming back to your ARPU guidance, so that number stands less than 2% - 3% for full year or?

Jawahar Goel: As we said just now, that because of the changing environment and pressure of 99 pack and Zing, maybe it is becoming difficult to guide the on a plain vanilla basis. The focal point will be growth in revenue, growth in subscriber base and making the EBITDA margin around 35%.

Moderator: Thank you. We take the next question from the line of V. Subbaraman from Ambit Capital. Please go ahead.

V. Subbaraman: Just a follow-up on the down-trading side of things, so how much is this down trading happening from the standard definition base pack to the 99 plus package? And is there anything that you can do to prevent this and RSP, ARPU challenge?

Rajeev Dalmia: Firstly, the down-trading is not happening from high-definition. It is happening from as you mentioned high-definition. It is actually happening from the family pack.

V. Subbaraman: Sorry, I meant the 275 pack. I'm sorry.

Rajeev Dalmia: Yeah 270's. And the down-trading is not happening to 174 level, it is happening between 174 and 270 Now we have anything between 500,000 to 600,000 subscribers ever since launch, which in 9-10 months have down traded. It means it is an industry phenomenon. And as we go into DAS IV, this will continue to be the penetration pack. But every attempt by the team is made, especially in the bigger towns to keep upgrading these people also. And there is a fair amount of focus happening on high definition to counterbalance the ARPU impact.

Arun Kapoor: I must also say that the margin is not impacted because of the down trading, because the cost of content and other fringe cost associated with the lower pack is compensating the higher ARPU. So on a net-to-net basis we are not losing, but yes on the headline basis the growth in the gross revenue is lower.

Jawahar Goel: Let me add here one more thing that earlier when we were buying the must have kind of a content, they used to say that you have to tag along, you have to put the channel in the basic tier and all those things. So, in a way the DTH industry has made a departure from the tag along to carry on entry level pack. So, I think a new regime is happening, it will definitely be a challenge but the 99 and smaller packs will start rising up somehow.

V. Subbaraman: So you are saying that volumes will compensate for the challenge on ARPU.

Jawahar Goel: Exactly.

Arun Kapoor: And since with DAS-IV around the corner and as we go into smaller and smaller markets, these packs will be the drivers of acquisition. Over a period time I think equal focus should be on revenue, increased market share, share of industry and subscribers and a gradual shift away from ARPU.

V. Subbaraman: This was helpful. Just one more question on the operating costs, I see that your admin and other costs are fairly volatile on a quarter-on-quarter basis. Can you give some clarification on how there is this level of volatility on a quarter-on-quarter basis, the other expenses?

Jawahar Goel: Of legal and transport cost which are volatile in nature and based on the number of boxes we ferry from our office to the distributors place and legal also is based on the bills raised by the lawyer and such things. But for that it is more or less steady. We also had some CWIP write-offs, which is also slightly fluctuating based on the auditors' perception.

V. Subbaraman: So that was part of the current quarter's expense, you are saying?

Jawahar Goel: Yes.

Moderator: Thank you. We take the next question from the line of Rajeev Sharma from HSBC. Please go ahead.

Rajeev Sharma: A few questions from my side. So we had a target of revenue growth of 10% to 12%, but with the current state of things and ARPU dipping it looks like 8% - 9% is also looking challenging, is the right way to look at it or we believe you think that you could do double-digit revenue growth this year?

Second is, Jawahar Ji, you talked about marketing and placement fee, but if we look at the history of DTH, it has never benefited so much from carriage, placement and marketing fee. So how do you believe that this time it could be different?

And lastly, just wanted to know what is the strategy around HD? In the sense you are trying to grow it, but how are you driving this? Is it ad-based or is it something else like higher commissions, is it EBITDA dilutive? And are you doing enough MDU CAPEX to drive it as well?

Arun Kapoor: Jawahar Ji will answer that part later on. Two questions, we are maintaining our revenue guidance over 11% to 12%. That will come because we do not see any numbers following on the acquisition front. As we have said, we will do 3 million to 3.5 million on the gross level and Rs. 1.5 million to Rs. 1.9 million at the net level, we are maintaining that guidance. And purely on the strength of these, the revenue guidance remains at 11% to 12%. That is the first part.

You talked about HD. There has been a lot of focus in the last six months on HD, but we are doing three, four things. One, our campaigns, the ad campaign which is now breaking in October has actually broken below the line and it is breaking above the line, it is completely on HD. For the next three months we will be promoting only HD. This is one which is happening. Second thing on HD, we did not have a long-term plan, LTP. We have that now, it is contributing to 15% of our volumes, recharge volumes, so that is also happening. We have opened up new streams in terms of retail outlets and in terms of e-commerce. So, all this is actually driving the HD business.

Jawahar Goel: And to add on here, that we were slightly hesitant on High Definition, because it was in forbearance. Now TRAI seems to be regulating that space, so now we will have a full canvas to play, to paint it.

Arun Kapoor: You had another question, you said HD depressing our margins. The answer is no, it is not. It is not impacting margins at all. And we are not investing in MDU now for getting HD which was done two, three years back.

Jawahar Goel: Actually, newer technology has come, now we do not require MDU, we have adopted a newer technology which with the single LNB we can service almost 32 subscribers. So we have adopted newer technology for routers and all these things.

And on carriage, placement, marketing and carriage, all the three things have been divided by TRAI under the draft regulations, and carriage has been regulated and placement and marketing is unregulated, so it is under forbearance. So that is why I want to correct it. Yes, you are right that DTH companies have not been able to harness the carriage revenue, but for the carriage which has been a big revenue source for MSO, I think that will get tapered.

Arun Kapoor: We believe that the MSO carriage will go down by about 30% to 35% as a result of this regulation.

Rajeev Sharma: But you think that placement and marketing you can benefit, carriage it may still remain the same, but placement, marketing their chances for upsides from that particular aspect?

Jawahar Goel: Yes, like we charge some channels giving them preferential LCN number, something around Rs. 4 lakhs to Rs. 5 lakhs rupees per month. So these are few products which we had created to get to the numbers of around 100% on our placement charges or carriage revenues. So I think that will continue, we do not see there any much of a variation.

Rajeev Sharma: Okay. This is very helpful. Just one last clarification, this 10% to 12% revenue guidance is not on, I mean you are saying at the current Rs. 162 ARPU, it is not that if we adjust then we will get this 10% - 12%, if you gross it up for the accounting treatment in ARPU, it is not that. It's on a like-to-like basis?

Rajeev Dalmia: Yes, the last year revenue was Rs. 3,060 million. So, on that we will have 10% to 12%.

Moderator: Thank you. We have the next question from the line of Deepesh Mehta from SBI CAP Securities. Please go ahead.

Deepesh Mehta: I just want to get some update about Phase-IV because you suggested about uptick expected in H2 in terms of subscriber growth rate. So how we see market moving towards the Phase-IV deadline? And how we expect uptick for us to happen, whether we see significant delay or the normal delay which we observe earlier likely to play out this time also? Second thing is about the STB inventory, because what is the inventory we are getting right now, considering only two months we are away from the deadline kind of thing? Thank you.

Arun Kapoor: Dipesh, first part of the question, in terms of how we see DAS-IV happening. Now DAS-IV will happen but it will happen exactly the way DAS-III happened. There will be no certain moves, there will be no blackouts and we believe that it will happen over the next three years or so. And that is also being fairly optimistic. So the certain benefits, which are supposed to accrue to DTH as happened in DAS-I not likely to happen, but we believe that as it pans out half the volumes will go to DTH and half will go to the cable business. We just need to be aware that the amount of money which is required for shooting of boxes in DAS-IV is humongous. We do not believe any cable guy has that kind of resources to really speed up the whole thing. They are still grappling with even basic packaging in DAS-I, DAS-II which were implemented many, many years back and collections. I mean, they are collecting about a Rs. 100 in the metros, less than Rs. 30 - Rs. 40 in DAS-III. So their monetization model, the revenue model is not working out. So, there are challenges which cable faces, which DTH does not face.

We believe that DAS-IV is an 84 million market, out of which 38 million is already taken between DTH, digital cable and free dish, and approximately 46 million remains. And this 46 million will play out over the next three years, approximately half to DTH and half to us. So this was the way we believe this will happen. It will be slow. We know DAS-III litigation is still going on, seeding of boxes will happen. In our case, in the case of DTH, we charge everything upfront. There is a very, very clearly marked, the revenue model for cable, there will be challenges in creating a revenue model. So this is what we believe will happen.

Rajeev Dalmia: In terms of the inventory, it is around 750,000 boxes. Yes, we have not yet stocked too much for the eventual December deadline. In cities we feel that it is required, we can rush the inventory.

Arun Kapoor: But to answer your question, we do not face any inventory problems at all, not one bit to take care of DAS-IV.

Deepesh Mehta: Sir, just one more question is about ARPU related thing. Considering the current regulatory, plus down-trending, plus cable is not charging to the extent what we are charging, that is why you are seeing some kind of churn related issues also.

Where you see, we are on sustainable inflation related ARPU uptick, how far we are from that situation?

Rajeev Dalmia: See, first of all, it is difficult to index the ARPU on the basis of inflation. We have not been able to do as an industry, because whatever price rise was done in the last three, four years, it was largely neutralized by either down trading or by adopting a lower pack, introducing a lower pack by the industry itself. Our view is that we should concentrate more on the revenue growth, which is going to be the order of the day, EBITDA margins. Whether we launch a new pack of the lower value, but the margins would be intact. If we become too much of the top-line ARPU concept, then we may lose a lot of market in DAS-IV and some of the markets in DAS-III area, which will be difficult to sustain on a long-term basis, say after two, three years. So it is a strategy that we should have a mix of all the varieties of customers, so that the model itself is sustainable and we can see the revenue beyond two, three, four years also.

Deepesh Mehta: Sir, and last data point is, how much we are getting from e-commerce channel currently?

Rajeev Dalmia: Around Rs. 6,000 - Rs. 7,000 per month and likely to go up by say another Rs. 3,000 - Rs. 4,000 in the next two, three months. It has just launched three, four months back. I think our speed is better than expected.

Moderator: Thank you. We have the next question from the line of Vikas Mantri from ICICI Securities. Please go ahead.

Vikas Mantri: On the HD front, with the Rs. 120 upgradation, does the subscriber has to compulsorily pay for HD?

Rajeev Dalmia: When he is coming on board, he has to adopt HD and he has to pay for the HD. But after that, maybe after lock-in of three month, earlier it was six month, then he can go down also which was not allowed on our platform before one and half year. But since we allowed in line with the other industry player, yes, he can go down after the lock-in period. So he may have HD box, but for temporary period, he may be watching only Standard Definition.

Vikas Mantri: And the Rs. 12 crore one-off in content cost, which period is that related to?

Rajeev Dalmia: It is you can say largely April to June.

Vikas Mantri: So the full first half?

Jawahar Goel: Yes, which was under negotiation, but we could not quantify and that is how it could…

Vikas Mantri: No, it was for the first quarter then?

Jawahar Goel: First quarter substantially and some of the seed was sown in the last quarter of the last fiscal. So I can say 60 - 40 type.

Moderator: Our next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: My first question is on the proposed price hike. We had earlier plan to take a price hike around the festive season. And in fact, one of our competitors have already taken a price hike. So, any clarity on this? Have we deferred this hike because of the down trading which is currently happening?

Arun Kapoor: We took a fairly steep price hike in March - April and that is still has to stabilize, and we are seeing a fair amount of down trading. The plan to increase prices again in October is suspended for the moment, we definitely will have one price hike a year, and we are waiting and watching to see how it turns out.

Alankar Garude: Sir and secondly about your plan to procure Boxes from domestic manufacturers. Any update on this, and what is our current import to domestic mix?

Arun Kapoor: As on date we are importing almost 100% in the last eight, nine months. Earlier we used to buy some of them from the domestic market, but we had some quality issues. Let us see going forward how we plan it out, but today we are all importing.

Alankar Garude: And just one small thing, what would be our incremental market share for the first half?

Arun Kapoor: 23% to 25%.

Moderator: Thank you. We have the next question from the line of Amit Kumar from Investec Capital. Please go ahead, sir.

Amit Kumar: Just a question on DAS-III, I mean DAS-IV is still way beyond, when do you expect DAS-III to happen to begin with?

Jawahar Goel: Let me give the answer in two parts. If you look at DAS happening as equal to seeding of boxes, then approximately out of the 50 million odd which comprise DAS-III, about 43 million to 45 million have happened, so 5 million to 7 million still remain, because although everything was under litigation, box seeding was happening. So box seeding to the extent of 80% to 85% has happened. But DAS in terms of MSO getting money, packaging happening, all those things which constitute a quality of operation QS norms, none of that has happened.

Amit Kumar: My second point was very, very quickly on pricing. So, while you are right in saying that there could be some bit of down trading happening, but still on an incremental basis you are getting a fair bit of 30% subscribers on HD. And plus the fact that, I also saw in-between that your Zing pricing, the Marathi and Bangla packages, which were like Rs. 179 odd, they also moved up to Rs. 199 or just about Rs. 200. So that also does not seem to have impacted the ARPU angle a bit. So, two parts to this. One is that, when has that Zing repricing actually happened? And then all put together, HD and price hikes on Zing do not seem to impact the ARPU significantly. Zing also you seem to have around 7%, 8% subscriber base on Zing right?

Rajeev Dalmia: No Zing number, we have never disclosed, but Amit, Zing is too small impact ARPU. And if we move from Rs. 175 to Rs. 190 or Rs. 200, it is unlikely to impact because the base is very small.

Arun Kapoor: You see the objective of increase in pricing of Zing was slightly different. It was not to impact the overall ARPU. On Zing, Zing was a non-service brand and we were not advertising on Zing. So we have converted that in to a full-service brand and we started above the line advertising. That is the reason for increasing the prices. But as Mr. Dalmia said, the numbers are too small.

Amit Kumar: Alright. Just to clarify how many subscribers did you say in the last six months have down traded essentially?

Rajeev Dalmia: About 0.5 million to 600,000.

Amit Kumar: I would like to believe that Zing subscriber base would certainly be around that number or probably even more than?

Arun Kapoor: It is less than that. But in terms of gross additions on a month-on-month basis, it is 10% to 12%.

Amit Kumar: And just a quick one, this contains the deals renewal with Zee and Star, our understanding is that because I think your contacts were there up till September and there is a TRAI regulation in place that you need to sort of file the new agreement before the old agreement essentially finishes because of the past disputes that they have seen essentially. So how are you running those, how are you still sort of getting those signals without actually signing the agreement essentially?

Jawahar Goel: Let me tell you one thing, the old agreements were CPS basis but as per the current notification orders you cannot do CPS**.** That is why it is taking time.

Amit Kumar: Okay. Understood. Thank you, so much and wish you a very happy Diwali.

Moderator: Thank you. We will take the last question from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Just one housekeeping question, can you talk about the gross and net debt as of September?

Rajeev Dalmia: Gross is Rs. 1,275 crores and net is Rs. 625 crores.

Yogesh Kirve: And what is, now the current mix of the debt into the foreign and domestic?

Rajeev Dalmia: We have Rs. 300 crore of rupee debt and balance is all dollar debt.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Tarun Nanda for this closing comments. Over to you, sir.

Tarun Nanda: Thank you once again for joining us, Ladies and Gentlemen. We wish you all very happy Diwali and a great festive season ahead. We look forward to speak to you again at the end of the next quarter that is the third 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.