



DISH TV INDIA LIMITED

1Q FY18 EARNINGS TELECONFERENCE
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Moderator: Ladies and Gentlemen, good day and welcome to Q1 FY 2018 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. In case, you need assistance during the conference call, please signal an operator by pressing ‘*’ 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, sir!

Tarun Nanda: Good Evening, ladies and gentlemen and thank you for joining us to discuss the results of Dish TV India Limited for the first quarter of fiscal 2018.

To discuss the results and performance joining us today is Mr. Jawahar Goel - Chairman and Managing Director of the company. We also have the senior management team here: Mr. Anil Dua - CEO; Mr. Rajeev Dalmia - CFO; and Mr. Gaurav Goel - President Strategy and Business Development.

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. Jawahar 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 186 thousand net subscribers during the first quarter of fiscal 2018 reaching a net subscriber base of 15.7 million at the end of the period.

The quarter was witness to Dish TV making a smart recovery from the lows of the demonetization impacted previous quarters.

Subscription revenues for the quarter grew 11.5% sequentially to close at Rs. 6,917 million. Average revenue per user (ARPU) grew 10.4% Q-o-Q and was recorded at Rs. 148.

Going forward, ARPUs should get a tailwind as major MSOs have started adopting the prepaid model for revenue collection. Direct collection should help correct certain anomalies in the business model of MSOs, thus helping lift overall industry ARPUs.

Churn at 1% p.m. was slightly higher than the 0.9% p.m. due to demonetisation in the previous quarters, but remains manageable. We believe that churn levels should largely remain within the 12% per annum range.

Seasonality impacted the growth in advertisement and bandwidth revenues however, the company remains optimistic about the future growth potential of these two revenue line items.

EBITDA was Rs. 2,012 million as against Rs. 1,951 million in the previous quarter. EBITDA margin at 27.2% was flattish against 27.5% in the previous quarter. Net loss at Rs. 139 million compared to a loss of Rs. 291 million in the previous quarter.

For better inventory management and reduced inventory holding costs, Dish TV initiated a Voucher based distribution system instead of the traditional Physical Box based system to stock its trade partners. Under the new system paper vouchers, instead of physical hardware, would be stocked by the trade with the physical box being delivered at the customers place by the service franchisee.

A quick update on the merger: I am pleased to share that the Hon'ble National Company Law Tribunal (NCLT) has approved the Scheme of Arrangement

amongst Videocon D2h Limited and Dish TV India Limited and their respective shareholders and creditors. We are awaiting the certified copy of the Order. The appointed date for the scheme is October 01, 2017.

The proposed amalgamation will further help create scale in the highly-fragmented TV distribution landscape in India while creating significant synergies through the combination. Drawing inference from our initial estimates and integration meetings held so far, we expect approximate net synergies from the amalgamation to the tune of Rs. 1,800 million in FY18 and Rs. 5,100 million in FY19. Significant amongst these would be synergies arising from unified content contracts as each major contract becomes due for re-setting.

Dish TV is excited about the mega size, strength and reach that it is going to achieve post the formation of Dish TV Videocon Limited. Taking into account content presence on OTT platforms, Dish TV has started renegotiating for its content costs and is glad to have achieved success in reducing costs with one of the large broadcasters recently.

Dish TV has successfully transitioned to the GST regime. The DTH industry has seen a reduction in the overall indirect tax rates under GST. Though benefits due to the unified tax may take some time to reflect in numbers, the sheer check on tax avoidance in the informal cable sector should be immediately helpful in reducing irrational competition from cable. The total amount of GST to be collected and payable by Dish TV during the current quarter would be to the tune of Rs. 1,350 million.

With digitization spreading to rural India, our primary objective is to address the needs of pay-tv viewers in small towns and villages. For the first time in the history of DTH industry in India, indirect tax rates have been separately communicated to the consumers. In an attempt to make TV viewing affordable for viewers, Dish TV introduced the Rs. 160 per month (plus taxes) pack this month. In addition, we have also started offering all channels, except Sports and select South channels, at affordable ala-carte prices of Rs. 8.50 and Rs. 17.00 (plus taxes) per channel per

month for SD and HD respectively. It would be worthwhile to mention here that none of these new offerings would be margin dilutive for our business.

There are concerns being raised on whether data prices could hit rock bottom levels such that some entertainment viewers would prefer streaming content, instead of sticking to the traditional cable/DTH distribution methods. The fact remains that even at the current, all time low data prices, the cost of watching Standard Definition TV for a month through streaming devices would turn out to be at least 3-5 times higher than the popular average monthly DTH subscription.

However, conscious of the increasing overlap between the TMT sector and extensive availability of high speed data and devices at affordable prices, Dish TV would soon be launching its Hybrid set-top-box and would bring back its OTT services in a new Avatar.

The distribution industry has been demanding from private broadcasters, a clear segregation of content between that provided to pay platforms versus that aired on the free DTH platform. At the same time, there has been an increasing realization amongst pay broadcasters on the potential opportunity costs associated with airing fresh content on the free platform. Going forward, this should ensure material difference in the quality of content available on the pay-tv distribution platforms as against that available on the free DTH platform.

Further, Prasar Bharti's stated intention to convert the free DTH platform into an MPEG-4 and encrypted platform would also naturally slow down its customer acquisition pace due to the strings attached with buying a conditional access (CAS) box as against the current freely available, non-CAS, white-labelled boxes.

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

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Vivekanand from Ambit Capital. Please go ahead.

Vivekanand: Just one question on the ARPU. Why is ARPU so volatile for us? If I look at the ARPU trends for other players in the industry with particularly Videocon your partner which is also present in rural markets, their ARPU was not so volatile over the last few quarters. Why is it that our ARPU has particularly been very volatile on the downside as well as in the recovery? Thanks.

Anil Dua: I think, it's a fair question. But the ARPU that you see every quarter is a consequence of the market conditions that prevail as well as the activities that Dish TV undertakes. Clearly, as you know there has been a downward pressure on ARPUs in the market with all the players introducing skinny packs at lower price points. Dish TV has been trying to hold on to its customer base while trying to make sure that it does play in that marketplace. I think, what you have seen in terms of volatility is especially when you see same quarter last year versus this quarter. But if you look at it vis-à-vis previous quarter, our ARPU has strengthened from Rs. 138 to Rs. 148 and partly, this has happened because we have on one hand acquired customers at the lower price points but on the other hand we have also ensured that our HD penetration grows that we get incremental revenue from our higher end subscribers. In the quarter that is under discussion, we have actually added close to 3 lakh subscribers in the HD space. So, that has helped shore up the numbers even though we are getting better share, better presence at the lower end through our own packs at lower price points.

Vivekanand: Great, sir. This was helpful. Just one small follow-up. So, are you saying that many HD customers activated their connections this quarter? Or is it because of IPL that this happened? Or is it because we ran more on-ground campaigns? I am just trying to understand because even on a quarter-on-quarter basis the volatility is very sharp.

Anil Dua: See, last quarter, we had brought the HD and SD channels on the side-by-side in a new scheme of LCNs. So, the teaser for the HD subscriber is also now visible. Otherwise, in the industry, what we had kept that HD channel in a separate stack of numbers and LCN number and SD under separate pack. Now we have merged it so the SD subscriber get the teaser. Also, we have created a small pack introductory

pricing for HD, so that this subscriber can sample it. Currently, we had also created some technical initiative that we give them a free preview for almost 10 minutes for watching HD channel. So, these are a few initiatives which we have done and we will continue to do any such experiment in the future.

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

Kunal Vohra: A question on churn level, like it has increased significantly over the last one year. Should we assume this will be the steady state going forward? You mentioned 12% is what we should assume, earlier it used to be like 8%, 8.5% or 9%. Is it because of DD Free Dish or is there some impact which you are seeing from Jio? And also on the same lines, like Star is providing sports now on FTA platform, so does that increase the worry from Free Dish?

Jawahar Goel: Well, Star Sports, extra sports content which they are not able to show on their regular platform and the Star has told that they want to educate those customers of Free Dish too for alluring them for Pay-tv market and the impact of that has not yet come to us because we are talking about the first quarter. Secondly, there has been a reflection of Jio in the previous quarters. There was a reflection of DAS market IV where the LCO were carrying analog signal as well and I hope now with the effort of Government of India MIB, the Secretary MIB has written to all the Chief Secretary of the states to shut down the analog signal. So, there was a mix of everything that the churn is higher. But we are cautious to say that we will be able to manage within 12% churn in a year. But like in a DAS-I market we have seen the churn coming down and hopefully the churn rate will come down by some basis point in the future.

Kunal Vohra: Okay. Sir, just one follow up question. Like, there is a pressure on the business model with like a weak ARPU, rising churn and high Set-Top Box subsidy. How are you looking to resolve this?

- Jawahar Goel:** I think your statement that the business model is a concern is the one which can be a personal understanding. But we are aware of the hardship of this business. This quarter only, we have increased the consumer price by Rs. 200. We are in the process of reducing some margin for the dealer network so that they do not initiate the self-churn model. So, we have taken some corrective measures and we will see the result in coming quarters.
- Moderator:** Thank you. We have the next question from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Sir, my question is you regarding the content differences on the free channels and paid platform. So, have there been any agreements in the content deals to specify the differences in the content? Or is the industry pursuing such clauses in the content deals?
- Jawahar Goel:** We are aware that one DTH company has signed such agreement with a broadcaster and content provider for delayed transmission of 8- 9 months and so on. But Dish TV is not yet satisfied on that offering. We want that if you are in pay market then you should not be a part of Free-To-Air market. So, let us see, we had written a letter last week to the IBF and we are waiting for the meeting to happen.
- Yogesh Kirve:** Sure, sir. That was helpful. And sir, secondly, regarding the GST, you said that during the current quarter you should be paying about Rs. 135 crores. Could you just tell us what would have been the estimated Entertainment Tax plus VAT during the quarter?
- Jawahar Goel:** Well, these are the numbers we will discuss this in next quarter because the quarter which you are discussing is not affected by GST. And we will discuss this in detail when we talk to you on next quarter result.
- Yogesh Kirve:** And sir, in the Press Release you also mentioned that the benefits of GST would take time to flow in. So, is this a reference to the clarity regarding the CVD set-off and other things?

- Rajeev Dalmia:** No, CVD set-off is okay. But because we have large number of customers who have paid in advance, so as well as we have advance money collected from them unless that is exhausted it will not accrue and that is why we feel that in 2 months - 3 months it will start flowing in full force.
- Jawahar Goel:** Let us say if a customer has paid for 3 months, we will not bother or disturb him for his entertainment as per our customer relationship policy and this has been our model. The price reset is only applicable when a customer come-up for renewal.
- Moderator:** Thank you. We have the next question from the line of Deepesh Mehta from SBICAP Securities. Please go ahead.
- Deepesh Mehta:** Yes, sir. A couple of questions. I think earlier we indicated about subscription ARPU to increase and then revenue to grow. So, can you just run through about FY 2018, how you expect without Videocon merger, how you expect revenue, subscriber addition and CAPEX to play out for us?
- Rajeev Dalmia:** In terms of revenue, we have expected around 7% to 8%; and in terms of number of subscribers, around 1 million; and the third question was on CAPEX?
- Deepesh Mehta:** CAPEX and margin maybe?
- Rajeev Dalmia:** So, the last quarter was around Rs. 180 crore. For the whole year, we expect around Rs. 800 crore.
- Deepesh Mehta:** What about the margin, how you expect to be EBITDA margin?
- Rajeev Dalmia:** See, margin will be better from the third quarter because of the GST benefit flowing in. Though we had only 27% this quarter but definitely it will be 30 plus.
- Deepesh Mehta:** For the full year or exit margin you are referring to?
- Rajeev Dalmia:** EBITDA margin?

- Deepesh Mehta:** 30 plus when you refer to it would be average for the year or exit quarter would be about 30 percentage plus margin?
- Rajeev Dalmia:** We hope that it will be in the range of 29% to 31% for the whole year.
- Deepesh Mehta:** Okay. And sir, last question is about the Ind-AS related thing. We migrated to Ind-AS and it seems depreciation is higher than what under iGAAP was. Can you just help us understand what changes we have made there?
- Rajeev Dalmia:** The whole gross block was valued by two independent valuers in which we found that there were some value gaps so the depreciation difference is because of some value gap also and we took a hit of around Rs. 8.5 crores because of this extra depreciation and around Rs. 3.5 crores to Rs. 4 crores for foreign currency translation.
- Deepesh Mehta:** This Rs. 8 crores to Rs. 8.5 crores which you are referring to is one-off for the quarter or it is likely to re-occur every quarter?
- Rajeev Dalmia:** It is one-off.
- Deepesh Mehta:** So, this quarter depreciation was around Rs. 180 odd crores. So, you are suggesting out of that Rs. 12- odd crores was one-off?
- Rajeev Dalmia:** Yes.
- Deepesh Mehta:** Okay. So, we would be returning back to Rs. 160 crores - Rs. 165 crores kind of depreciation from next quarter onwards?
- Rajeev Dalmia:** That would also depend on the number of new activation and the number of HD activation.
- Deepesh Mehta:** No, that is fine. But otherwise from run rate perspective there should be right run rate to look at it. So, I just want to confirm from run rate perspective, I understand

with addition there might be some changes. But current quarter correct run rate to look at is around Rs. 160 crores to Rs. 165 crores?

Rajeev Dalmia: Yes.

Moderator: Thank you. We have the next question from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: Sir, could you give us some better idea of how should we break this Rs. 510 crores of synergy benefits in FY 2019 into 3 broad items: content, transponder costs, and employee and other operating expenses synergies or revenue synergies? In 3 or 4 buckets if you can?

Jawahar Goel: So as a background paper and information and ideas but at this stage we will not like to discuss each individual item. Give us some time, we will reveal it when we are ready for it.

Jai Doshi: Understood. But reasonable to assume that it does not include any benefits whatsoever from transponder cost or a transponder infrastructure? Because I would understand it is a process that takes a lot longer than maybe 1 year - 1.5 year?

Jawahar Goel: I think many of the information are competitive in nature. So, if we discuss those numbers then the company will have a disadvantage in the price negotiation with this satellite operator. So, please leave this for us to manage actually. This much indication we have given which normally we do not do it. But I think we were suggested that we should give the number which we are arriving to the synergy benefit.

Jai Doshi: Understood. Second question, as you mentioned about moving to voucher based system for better inventory management. If you could explain us what were the problems that you were facing? And what are the improvements that you expect from this change?

Jawahar Goel: Now, we actually want to reduce the inventory in the market. So, we have been giving the set-top box to the distributor and dealer. Now, we are going on a paper currency to sell that so that we lower down our inventory level and everything. So, that efficiency is available because of GST and the movement of goods, so we will take advantage of that.

Jai Doshi: Right. So, if I may just ask a follow-up, so what is the inventory right now in terms of Set-Top Boxes and how do you see that moving post-merger at the combined level based on this voucher based system? And again, a small follow-up on this, does it also reduce the risk of pre-activation or any kind of gimmicks by distribution channel, if at all?

Jawahar Goel: No, no, there is no credit. It is all advance payment based that is one thing and the Set-Top Box inventory is 900,000. We have just changed the new model HTML 5 based boxes which are in the market. Now, we want to reduce the inventory level. Probably, we want to achieve almost 50% of 900,000. We will like to reduce it to 450,000.

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

Vikash Mantri: Two -three things I wanted to discuss. Firstly, we have removed the deep discount plans or the long-term discount plans. Is that clearly the tactical move and we do not need that any further? Because we thought it was a regular problem that our subscribers were inactive for longer periods of time. So, I want your views on that. Second thing, on the new inventory policy now, the installation process is taken care at places I thought by the vendors themselves. Does that change now and does it affect the vendor's margins?

Jawahar Goel: Vikash Ji, first of all what you are talking on deep discount, this was a tactical because there was certain events like Ramadan and all these things, so we had done it. But our team has worked out, which we have not rolled out the scheme that we

will have a term based pricing. That if a subscriber is paying for less than a month the price will be different. If he is paying for 2 months, 3 months, 12 months there will be a different pricing. So, we have tested the water, we have got more experience and it was good for the Company. We are now introducing another tool. And coming to the installation, you know Videocon has got almost 6,000 employees who do the installation for D2h brand. The same company, we had given them on pilot basis to do the installation in some of our territory and the stocks will be in our possession. So, these are our few corrective action which we have taken so that, we do not lose our ODU and Set-Top Box, but yet covering all the subscriber base.

Vikash Mantri: Sir, one feedback which I got from your test market from your distributors for this new policy is that unlike Videocon or the other DTH players. Given your subscribers are more rural based, and you yourself said more than 75%. The ability of own services is to service remote areas or rural markets would be relatively difficult is the feedback we got.

Jawahar Goel: Some of the service franchisee are going out of the system therefore there can be a feedback from them. Secondly, we will have total remote market where we will have a DCC based installation as well as the sales and service franchisee. Thirdly, Dish TV has a concept of Dish Dost which we have tried in Jammu and Kashmir and some part of the country. That model will also work in which it will also work as a service franchisee as well as installation, maintenance, collection and everything. So, this will be for some of the youth sitting in the village who cannot move out for the job because of aging parent, etc. We want to bring him under net, train him and all these things. So, these are various models and wherever there will be a gap, we will fill it.

Moderator: Thank you. We have the next question from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: My first question is on the underperformance in terms of subscriber additions for both Dish TV and Videocon compared to Airtel in this quarter. So, in fact, if I will

just look at subscriber additions of Airtel in this quarter that is almost half of what you are guiding for the full year. So, just wanted to understand, why are we getting impacted so much more compared to peers? Is it higher impact of demonetization or a different strategy in Phase-IV, higher impact of the Free Dish or any other reason which you can suggest?

Anil Dua: So, Airtel, largely because of they had launched a scheme last quarter which was at a lower price point addressing the DAS-IV market at Rs. 199. So, that has caused obviously some ARPU depletion. But contrary in retrospect also, they have gained market share and regained their lost subscribers probably. So, the rest of the industry has been a little cautious considering that it was a smaller family pack which used to be Rs. 280. It still exists but with very little content extraction, the price will drop to about Rs. 200. So, the industry has taken a corresponding action to counter that. But we have been a little more cautious. Dish TV has also introduced last month a similar pack. So, I think it is a matter of calibrating schemes from different periods that is all.

Alankar Garude: Sure. Sir, just one question relating to that, so I wanted to understand Phase-IV strategy of the Company. Now, would we be willing to participate actively in Phase-IV even if it could possibly hurt our ARPU and maybe even margins or we would like to consolidate and focus more on improving the quality of our subscribers?

Anil Dua: Margins are not at risk here. We have been very conscious in maintaining our margins. But as far as reducing the ARPUs that is something that needs to control, the subscriber churn or exit and ramping up HD is obviously the counter that we will do alongside. But that is a market to be grabbed and Dish erstwhile also has a larger share of that market share so to protect that share also, we will be going at a lower price point for those markets. But we are prudent in our approach to make it revenue accruing correspondingly the number of subscriber additions should compensate for that as well as the HD contribution and long-term subscribers. So, the suspension period is something that we are targeting to reduce. That should again compensate for the drop in ARPU.

- Alankar Garude:** This is very helpful. Just one very small question, what would be our HD subscriber base right now?
- Rajeev Dalmia:** It is around 15% of the sales 0.5 million into 15.5 million, so around 2.5 million.
- Moderator:** Thank you. We have the next question from the line of Rajiv Sharma from HSBC. Please go ahead.
- Rajiv Sharma:** Just few questions from my side. What is your net debt number for this quarter end? And second is, the ARPUs have recovered this quarter though the ARPUs have been volatile as well. So, this fiscal year end where do you see the ARPUs? Will we be ending flat Y-o-Y or we will continue this 146 - 147 levels? Some color on that and your subscriber acquisition cost, the hardware subsidy element.
- Rajeev Dalmia:** Net debt was Rs. 690 crores and subscriber acquisition cost is Rs. 1,800. In terms of ARPU, as we have said that revenue will grow up by say, 7% to 8%. So, there will be little movement in terms of ARPU because we will also grow the subscriber by 1 million.
- Rajiv Sharma:** And this Rs. 1,800 is expected to come down by Rs. 200 as you mentioned earlier in the call?
- Rajeev Dalmia:** Between Rs. 150 to Rs. 200 because of the reduction in the margin of the trade.
- Rajiv Sharma:** And just a small follow-up on the MPEG-4 from Free Dish. So, why do you think it will be a deterrent because as the services will still continue to be free. It is just that the MPEG-4 Box may be a little more expensive, is that the reason?
- Jawahar Goel:** No, suppose there is a 10 million - 15 million subscribers are there on Free Dish and those subscribers has to change their box to MPEG-4 and the box are encrypted, conditional access is also there. So, it will take some time to ramp-up. So this is what will be our statement was to that context.

- Rajiv Sharma:** Okay. So, just trying to understand, so you think that one will have to change? They cannot anymore continue with their old boxes?
- Jawahar Goel:** If the broadcast is in MPEG-4, then MPEG-2 box will not be decoded. If the box is MPEG-4 then MPEG-4 content can be decoded.
- Moderator:** Thank you. We have the next question from the line of Sidharth Bera from Nomura Securities. Please go ahead.
- Sidharth Bera:** Sir, my first question is on the ARPU front. So, we had these offers of 10% discount for 3-month recharge and 20% for 12-month recharges. So, can you help us understand? I mean, how has been the acceptance for these long-term packages and how to understand the ARPUs? I mean, are they in the longer term beneficial for the ARPUs? Or because the effective discount is much higher it can lead to some dilution in overall ARPUs?
- Anil Dua:** Sidharth, actually the incremental discount is lower than the plan that we have been running. As you know, we were running “3 pe 4”; “4 pe 8”; “9 pe 12”; which was a much deeper kind of a discount. And we moved from there to these paid up plans, which are at 10% and 20% incremental value to the customers. So, we believe that in the long-term this is a much better option because of the lower cost and also because of the longer-term stickiness of the customer and therefore, we made it much more attractive to come in for a 12-month period, and certainly even for a 3-month period but at a much lower cost. We have got good initial response. But having said that, it is early days, we have just started and we need to wait and watch. But we think that we struck a good balance between the cost and the attractiveness of the offer. And on the ARPU front if I may clarify the lock-in customers for a longer-term it controls the suspension period which more than compensates for the ARPU risk.
- Sidharth Bera:** Understood. Sir, my second question is on the taxation part. So, on the GST payment, how does it usually work? I mean, for a 12-month pack, the taxes is paid upfront or is it paid on monthly basis? So, just trying to understand that

- Rajeev Dalmia:** GST will be payable the moment money is received because as per law, it is either received in advance or revenue booking or bill booking. So, whenever we receive money for 12 months, we have to pay first GST and then book income.
- Sidharth Bera:** Okay. The full GST will be paid upfront then?
- Rajeev Dalmia:** Yes.
- 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. Can you give us the break-up of sort of programming and other costs and the overall expenditure, is it possible for this quarter?
- Rajeev Dalmia:** No. We should avoid that.
- Rohit Dokania:** Sure. Okay, no problem. So, the other one was, your ARPU has gone up handsomely on a Q-o-Q basis and revenue growth has also been there. But margins are still under pressure sir, despite the fact there was a sequential drop in the transponder cost. So, which particular cost item we have seen pressure in this quarter?
- Rajeev Dalmia:** There was one element of marketing which has gone up by around Rs. 6 crores. And if you see the content cost, it has moved by around Rs. 19 crores.
- Rohit Dokania:** On a sequential basis? Sure. And sir, is this Rs. 19 crores is in particular to some sporting event in this quarter or this is like a sustainable number and this could probably be the new base number that one should look at?
- Rajeev Dalmia:** I think this would be the base for the coming two quarters.
- Moderator:** Thank you. We have the next question from the line of G. V. Giri from India Infoline. Please go ahead.

- G. V. Giri:** Sir, what do you think is the reason for Prasar Bharti moving to MPEG-4? Is it not the right way to look at it that the greater compression available will actually create a disadvantage for us because it is a competing option, right?
- Jawahar Goel:** See, MPEG-4 are linked with the conditional access means that those channels are only available in Prasar Bharti platform and you must have noticed that Prasar Bharti Free Dish platform has been cornered by the private broadcasters and most of the advertisement revenue which we should have been accrued to Prasar Bharti is now going to the private broadcaster. The TRP rating of Prasar Bharti channel has significantly dropped. So, almost 20% - 25% of advertisement revenue of Prasar Bharti is dropped. So, they have only opportunity to maintain the revenue by increasing the carriage fee. You have seen that the new channel is now at Rs. 8 crores which is very steep for a religious channel and for music channel for that matter. So, the only big broadcaster can afford it and the smaller broadcaster cannot afford it. So, there has been many channel they have vacated that platform. So, let us see and there is a pressure from ISRO to convert the broadcast on MPEG-4 on the Prasar Bharti, so that they can show more and more channels.
- G. V. Giri:** Right. That was my question. So if they can show more channels then is that not something that you view as a threat which it might not be clear today how that threat will come? But the capability to show more channels, why are you calling that positive?
- Jawahar Goel:** Dish TV has launched a scheme for subscriber who are in suspension mode just to pay Rs. 500 per year and get the Free Dish channels and that scheme has recently been launched and then those subscriber, we talk to them and we upgrade them. So, our ARPU is almost Rs. 140 from those subscribers. So, there are few tools which we are using. The Free Dish is also there, it is going to be there. But if it is encrypted that impact will not be there.
- Moderator:** Thank you. We have the next question from the line Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: Over the past couple of years or maybe three years what we have seen is introduction of low-ARPU packs. It started with Zing and then competition sort of followed with their own packs and then we hear about Rs. 199 pack by almost all DTH players. I think, you have mentioned about some Rs. 160 pack in this Press Release. So, it seems that in the past, you have mentioned that there has been constant down trading. So, are not you worried as an industry that you are making content available to your broader subscriber base at lower and lower price points and trying to compete with each other on subscriber market share and perhaps it is resulting in down trading of revenues for the entire industry? How do you think about it? Because what we used to think of base pack of Rs. 270 I am just wondering whether base pack will be Rs. 200 or maybe even lower than Rs. 200 maybe two years - three years down the line when you have bulk of subscribers from Phase-IV markets in the overall subscriber base also just a broad thought.

Jawahar Goel: Yes. See, Rs. 160 package exclusive of GST. So, it is INR 189. That is one. Also, when in the market and Reliance Jio and so many things are there and one of the questions was in this conference call about Airtel adopting 400,000 odd subscriber base. So, you know that currently the market is that e-Commerce and OTT and all these things there is a definite peer pressure. But question is that in order to have a synergy with the new tariff order, we have started at Rs. 8.50 paisa and Rs. 17 a la carte choice that is somewhat in line with the new tariff order is there. The issue is to survive in the market and to yet make it profitable and Mr. Dalmia just said that our EBITDA will be 30% - 31% for the whole of the year. So, we have to run this thing. We are working on the middle line as well. If our top-line is under pressure we will work on middle line.

Jai Doshi: Right. Sir, profitability, I agree, sir. But when it comes to return on the capital investments, end of the day that goes on subscriber box. Whether Rs. 100 ARPU subscriber with higher latency justifies that investment or not is something which you have not been able to at least fully understand and appreciate. Thank you so much. Thanks for sharing your thoughts on this.

- Moderator:** Thank you. We have the next question from the line of Avinash Kumar from Moon Capital. Please go ahead.
- Avinash Kumar:** Just a follow-up question to the previous participant. You said that, there are pricing pressures from the industry. So, your ARPU packs will go down perfectly understandable and to compensate that, you will look to trim down your expenses. So, just wanted your views that how you are looking to run down your expenses in coming quarters, so that even if you have to come out with lower recharge packs your still bottom end will be impact or your margins will be impact that will be intact at around 30% - 31%. So, can you just provide some color on it?
- Jawahar Goel:** Yes, see, you are aware that the content provider they had a bouquet of 30 channels - 40 channels and they used to put the block of channels in our throat and we used to put the channel in the throat of the subscriber. Now with a la carte regime and all these things which we are doing then the tag alone of the channel with this bouquet and that channel is almost is going out of the window. So, just have a patience and the industry has to reset. If the content providers are more interested in the pay revenue or the advertisement revenue. So, this is a period which you will see in next 3 months to 6 months when tariff order is implemented, when our Rs. 8.5 and Rs. 17 pack will be there and there will be a lot of things will happen. Just wait for some time.
- Avinash Kumar:** Right, sir. I understand it. I was more focused on your non-content cost? I mean, how do you see that trend? Are you looking to trim down more non-content expenses going forward which will obviously accrue to your margins going forward?
- Jawahar Goel:** No. Mostly you see, we have 30% - 35% of the subscription is the Pay Channel cost and was 30% - 35% was collection and the indirect taxes and fees. So, all these factors we are working and rest of the middle lines are very-very small. So, if we cut down Rs. 5 crores or Rs. 10 crores on marketing or the wage bill that is not going to make any impact. So, we have to work only on two things. The GST has come out,

license fees has to be reasonable and then the content cost. These are the three factors.

Moderator: Thank you. We have the next question from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia: You mentioned two things in the release. One is that you have been able to negotiate content with a large broadcaster lower. I was wondering, if the benefit was in this quarter or it is something that we will see it to accrue to us in the forthcoming quarters? And the second was, on the benefit of Rs. 510 crores of synergy. I understand that you are not splitting it out, but is there a reasonable factoring of the tariff order in that assessment or that is more like as it were in basis that you would think there can be so much of synergy?

Rajeev Dalmia: Yes, the benefit of content cost will flow in the subsequent quarter. It was not factored in the last quarter because it was done in the month of July and in terms of Rs. 510 crores synergy benefit, this is more on a present cost and present revenue basis. We have not factored the tariff order because that would have been a very humungous effect. Definitely, the tariff order will not impact the middle line except the content cost. So to that extent, a substantial portion of Rs. 510 crores will still flow as a synergy

Miten Lathia: Sure. And as regards to first your point itself if I understood correctly, the negotiation of content was holistically beneficial to the extent that your cost per subscriber with that broadcaster would also have gone down on a like-for-like basis. Is that a correct understanding or no?

Jawahar Goel: Miten, this is a muhrat sauda, so we had just try to negotiate the price with one of the broadcaster and for remaining broadcaster, the deal is yet to be completed. So, it is at beginning of the new era.

Miten Lathia: No, I understood that it is only one right now. But I am just trying to understand that meaningful negotiation would also mean that the cost per subscriber to that

broadcaster would have actually gone down. Is that sort of a correct understanding or that has not happened?

Jawahar Goel: Obviously, it will happen because slowly HD subscriber will increase the likewise content provider's revenue will increase for HD subscribers. So, the segmentation of this consumer will be there. One is consuming High Definition, another is consuming the mass scale content, and third will be the Free-To-Air kind of a content and fourth is on the OTT platform consuming bold kind of content. So, the segmentation in the society will happen net-net what we want to do, we are restricting to our business and to grow our EBITDA and the revenue as well.

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

Naval Seth: So sir, as Mr. Dalmia stated earlier that content cost in absolute terms has gone up by around Rs. 19 crores on sequential basis and the same trend would continue for another quarter or so, while on the other hand we are seeing that the cost savings with the new or recently concluded deal will also be seen in the coming quarter. So, how one should look into this whether let us say, there is an increase from the one broadcaster and saving from other which gets negated or my reading is wrong over here?

Rajeev Dalmia: No, as we said that the revenue will go up by 7% to 8% and if the content cost remains the same then definitely there is a game in the content cost or the rise in content cost is much less than the rise in revenue.

Naval Seth: Okay. And last question on the revenue split sir, if you can provide that?

Rajeev Dalmia: Yes, subscription revenue is Rs 692 crore, bandwidth Rs 25 crore, advertisement Rs. 11 crore, teleport 6, and other operating income Rs. 3 crore.

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

Tarun Nanda: Thank you once again for joining us, ladies and gentlemen. We will have the transcript of this call on our website dishtv.in, very soon and we will look forward to speak to you again at the end of the second quarter or even earlier on a one-on-one basis.

This transcript has been suitably edited for ease of reading.

