



DISH TV INDIA LIMITED

3Q FY18 EARNINGS TELECONFERENCE February 7, 2018, 05:30 P.M. INDIA TIME

Moderator: Ladies and gentlemen, good day and welcome to the Dish TV Limited 3Q FY18 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 signal an operator by pressing '*' and '0' on your touchtone telephone. I now hand the conference over to Mr. Tarun Nanda. Thank you and over to you, sir.

Tarun Nanda: Good evening ladies and gentlemen. Thank you for joining us at a short notice. We are here to discuss the results of Dish TV India Limited for the third quarter ended December 31st, 2017. To discuss the results and performance joining me today is Mr. Jawahar Goel – Chairman and Managing Director of the Company. We also have the senior management team including Mr. Anil Dua – the Chief Executive Officer, Mr. Rajeev Dalmia – the CFO and Mr. Gaurav Goel – President -Business Development and Strategy.

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 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 for Dish TV's 39th Earning Conference Call. Dish TV added 250,000 net subscribers during the third quarter of fiscal 2018, reaching a net

subscriber base of 16.1 million at the end of the period. Net subscriber addition during the quarter witnessed a solid 22% jump over corresponding quarter. Operating revenue during the quarter stood at Rs. 7,408 million. Higher selling and distribution expenses around festivals, however, led to a temporary impact on EBITDA which closed at Rs. 2,005 million. Resultant EBITDA margin was 27.1%. Net loss reduced to Rs. 36 million as against Rs. 179 million in the preceding quarter.

Television in India continues to remain the cheapest and most wholesome means of entertainment for the masses. In television distribution, DTH has presence in places where few other television service providers have reached. Dish TV, amongst such DTH players, has perhaps the deepest rural connect and hopes to benefit from rural India's increasing propensity to consume everything including television content. Government's emphasis on increasing rural income and productivity as per its budget document of 2018 should go a long way in increasing this spending capacity of the vast rural population of the country.

On the merger front, Dish TV on December 15th had secured Ministry of Information & Broadcastings approval to the request made by the company for closing the merger of Videocon D2H with and into Dish TV. I am glad to share that the company now intend to take further steps for affecting the said merger. Relevant intimations and e-forms shall be filed with the Register of Company, Mumbai in the last week of February 2018. Such filing dates shall be the effective date for the said scheme.

We remain extremely excited about the future of the merged entity and are raring to put the business in overdrive as soon as the merger completes. Though we have lost some time in FY18, we would want to regain our leadership as well as extract the highest possible synergies in the year ahead and going forward.

With that, I will like to open the floor for the question and answer session.

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

Vivekanand: Two questions here. One on the previous synergy guidance of 5.1 billion EBITDA in FY19, any thoughts on that, any update there and what about FY20 and it would really help since now all the statutory approvals are in place, it would help if you split that out into various heads that would really help us, that is point one. Secondly, any color on the rural market and DD Free Dish and how your discussions with broadcasters have been in the recent past. You have outlined something in your earnings release highlighting behavior of rural consumers particularly the ones who were opting for snacking packs and very small portion are opting for pay content. So any thoughts on how that translates into your content or how that affects your dealing with the broadcast industry? Thanks.

Rajeev Dalmia: As far as synergy is concerned, we remain intact with the figure of 510 crores in FY19 and we have estimated it will be around 760 crores in FY20. 510 crores, it will be coming out of the 5 major heads; set-top box, interest expenses, administration expenses, content and back-end services like call center. Out of these, I can share figure of say 3 heads – the set-top box cost will be around 110 crores, the interest will be around say 75 to 80 crores and the back-end operation will be 45 to 50 crores and the balance will be out of content and other residual savings that will arise because of the merger and the same analogy have been applied in 20 also.

Vivekanand: On the FY20 number that is a very large number that you mentioned, what is extra in FY20 compared to FY19, are you knocking off the Videocon transponder contract which I believe is expiring in or coming up for renewal in May 19, is that also factored into the 760 crores number that you mentioned?

Rajeev Dalmia: 510 crores will flow into FY20 also. So the additional amount is only 250 Crores. It will anyway come because of the large number of subscribers and some more synergy in the back-end services which is consuming around 350

crores in both the companies now. As far as Free Dish is concerned, Mr. Dua will reply.

Anil Dua:

On rural market, I think the third quarter being a festival quarter, we normally expect rural markets to do quite well. As we have mentioned in our release that while the effects of demonetization seem to have gone off, but rural markets are still not up to the speed and that is why probably in the budget you heard lots of proposals which are going to give increased outlets in various sectors in the rural areas. So clearly rural being a strength, I think we stand to benefit from that while currently it is still on a comeback kind of a path, I think going forward it should accelerate and Dish TV should be ideally poised to benefit from that. As regards, DD Free Dish and broadcasters, let me hand over to Mr. Jawahar Goel.

Jawahar Goel:

Well on DD Free Dish, the government is not auctioning the slot, almost 25 slots were not renewed. It is on temporary permission. Some of them have vacated that slot. Another 10 slots are coming up for renewal in the middle of February. The government has not yet announced a scheme, how they will accommodate the broadcasters who are enjoying the rating and advertisement revenue on the strength of the Prasar Bharati platform. Dish TV was also telecasting 10-20 channels on free-to-air basis, which was also switched off. So the traction on DD Free Dish is reducing day by day. On the broadcaster front, we have mentioned in the release about one broadcaster. Having tried Mera Apna Pack since July last year, this is a result of that which we have mentioned as an example.

Vivekanand:

On the revenue front, I understand DD Free Dish is not a threat as you are seeing it on the way in, but even from the demonetization loss, your revenue is flat and also on a quarter-on-quarter basis, revenue has declined despite subscriber addition jumping as you outlined. Is there any other reason or would you like to delve on why revenue growth is so weak for you and why is it continuing to diverge so sharply with Airtel and of course we have also looked at consumer companies like Dabur reporting much better growth in

rural markets. So what is so specific about this consumption category in rural markets that there is so much pain?

Jawahar Goel: The phase IV of cable is not yet complete. The MSO is also not able to collect the money from the ground in DAS-III and DAS-IV. Number two, tax compliance at the LCO level is still a challenge even after GST. And we have seen that because Jio and Airtel are fighting for revenue, one player has over read the Jio impact and lowered the price table.

We have also factored this in the last quarter. Even in the festival season we gave extra discount to the customer to enroll them so the impact on revenue will remain. But the company will always keep the EBITDA line more focused than the revenues because the definition of revenue, you know we had reduced the collection cost and we had reduced the GST.

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

Kunal Vora: First question, you mentioned that you will be able to save around 110 crores on set-top box. So can you share what are the current costs of set-top box? And what will the sourcing strategy going forward? And will there be some change? Would you look to purchase from Videocon, so like some elaboration on the 110 crores cost savings on set-top box?

Rajeev Dalmia: I can give the current cost only which is there in the balance sheet also. It is around \$21.75 average for the year 2017-18 till December and I believe there is a saving of \$1.25. So on boxes we can get that much amount.

Kunal Vora: And that savings will come because of larger volumes or because of change in vendor? How will that saving come?

Rajeev Dalmia: No, primarily because of volumes and the rate we can update in the next call when we have more clarity like we have drawn a plan. It has to be ratified, it has to be evaluated and put to use. So it will be more in effect in the next quarter

- Jawahar Goel:** And this is a very strategic question that you are asking which we will not like to discuss on this conference call.
- Kunal Vora:** Okay. Second question on what will be the net debt of the two companies, Dish TV and if you can share also Videocon's number. And what will be the license fee liabilities which both the companies have to pay and when do we expect it to get paid?
- Rajeev Dalmia:** Our net debt is 810 crores as on December 31. Videocon gross debt I can say it was 1,960 crores but the net figure as far as I know will be around 1,350.
- Kunal Vora:** Okay and license fees for both the companies?
- Rajeev Dalmia:** License fee, in our books is around 950 crores. Videocon's license fee as part of contingent liability is around 575 crores.
- Kunal Vora:** Okay and just one last question if you can. You indicated that Jio did have some impact on your business. So what have you seen, while the customers are not cutting the cord, do you think some customers are down trading their packs because of Jio and maybe they are not taking some of the channels which they would otherwise take, how is Jio impacting your business?
- Jawahar Goel:** My reference was that one of the players has over read/ overestimated the Jio impact and they have lowered the table. This was my reply.
- Kunal Vora:** Okay. So because of that the pricing has come down for the industry as a whole?
- Jawahar Goel:** Yes.
- Moderator:** Thank you. The next question is from the line of Amruta Pabalkar from Morgan Stanley. Please go ahead.
- Parag:** This is Parag here. Just a couple of questions. Firstly, if you could just give us a better understanding of what is happening on the approval? I remember you had asked for an additional 60 days to think about the Videocon merger and you were looking for certain clarifications. So any update on that would

be helpful. The second is as far as the license fees is concerned, with respect to these unpaid liabilities, is there any clarification you got from either the regulators or the government with respect to how these will be discharged or if not then any clarification on whether these liabilities will be required anymore going forward? Thank you.

Rajeev Dalmia: See, as far as merger is concerned, we have already announced yesterday that we are going ahead with the merger and the likely date of effectiveness will be say 25th or 26th of February. License fee, we continue to provide as per the licensing agreement. There is no new development in the court which will decide the ultimate payment, payability or nonpayability of the license fee.

Parag: Just one clarification there, as far as license fees is concerned that is unlikely to be a deterrent or an impediment for the merger, so there is no condition attached from the government's perspective with respect to discharging that liability before those mergers is consummated?

Rajeev Dalmia: No, we already got MIB approval which was after considering all those factors and MIB has given approval on 15th of December. And we are going ahead only after that and they have considered all the relevant factors not only license fees, only then the merger approvals are given. So was considered by CCI, so was considered by NCLT. So it has passed through all those processes. Now it is on and we will hit the merger finally in the last week of February

Jawahar Goel: See this outstanding is subjudice in the court of law. So the liability is not crystallized.

Parag: And given that Videocon's liability has not been provided, it is off balance sheet. Will that be taken on to the balance sheet as a part of the merger?

Rajeev Dalmia: We are discussing with our auditor that whether to adopt their policy or we should adopt our policy. Maybe by 31st March, there will be a solution, but as far as prudent accounting goes, we should provide for the entire liability like we have been doing in the last 10-11 years.

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

Rajiv Sharma: Just comparing your performance with Bharti this quarter and they have done good on the subscriber additions as well and their ARPUs have been stable this quarter, so what do you think is that ARPUs at our end have gone down because if there has been an industry wide price cut by any of the player Tata Sky or Bharti if that is the case you are referring to, then it should have been visible in Bharti's number which is not the case and price cut should have led to plus a festive season ideally should lead to 0.4 or some numbers around those kind of net additions which we are not seeing. So what do you think is driving that? Second on your recharge frequency, are you seeing any impact of data cannibalizing the revenue stream delays or subscribers going non active and third question, I understand you drawn up a plan around cost savings from your proposed merger, but what are the areas where you plan to invest in the upcoming merger?

Anil Dua: Rajiv on the first question which is on ARPUs and comparison with other players, if you look at our absolute performance, our net adds are the best in last 5 quarters, 2.5 lakh net adds. Even if you look at our gross adds which are 6.4 lakhs which are higher than 5.7 lakhs in the previous quarter and higher than 6.3 lakhs in the same festival quarter last year. So fundamentally, we managed to attract many more customers to our platform than we have done in last 5 quarters. Secondly as far as the ARPU is concerned, we have managed to increase ARPU to the range of Rs. 145 to Rs. 150 throughout this year against Rs. 134 at which we exited. Now these fluctuations of Rs. 4 or Rs. 5 can be a result of various factors. For example, we started Mera Apna Pack, some customers who are probably earlier buying Rs. 50- Rs. 60 a la carte pack may buy 2 to 3 packs 20-30, but that may get several more customers in my fold who are trying to buy a la carte packs from me. But overall ARPU can therefore fluctuate in a small band from quarter to quarter and we have had previous quarters at 148-149 and next quarter could be in the same range. So this I will say is an upside which you have seen from where we ended at 134

these will bring us incremental ARPU in the coming quarters. On the cost saving part, I will ask Dalmia ji to comment.

Rajeev Dalmia: Most of the investments will go around technology, but I cannot share the adjusted figure that how much amount is marked for investment purpose.

Rajiv Sharma: Sir it is useful on the investments, just trying to understand then we should be looking synergies at a net basis rather than gross basis?

Rajeev Dalmia: No, I have done that and the 510 crores in terms of cost saving is on the profit and loss account, but on the balance sheet side we have done both on account of investment as well as other debtor creditor adjustment which will arise because of the merger of their entity. So net-to-net, impact is not much.

Rajiv Sharma: And on your previous explanation of the ARPU decline, even in the last quarter we were talking about 8% revenue growth for the full year and this was the same previous fiscal also we were talking about similar revenue growth, but both the last 2 years, we have been very flat on revenue growth. So what that happens post mid half of the fiscal that the delivery of 7%-8% becomes tough and we end up being flat for the full year?

Anil Dua: I think the year is still on and fundamentally, the thing is that despite ARPU going down from 149 to 144 from last quarter to this quarter, the overall turnover remains at the same 756 crores level which is on the strength of the additional subscribers that we have been able to attract. With the lower price table that we spoke about earlier, it is definitely kind of putting that pressure on revenue. So thanks to our quest of additional subscribers which we got, as we discussed best in last 12 quarters, we managed to maintain the same revenue.

Rajiv Sharma: And one just last book-keeping question quickly. When Videocon gets into your business, so from a revenue accounting and cost accounting purpose, is it similar line by line addition or there are some different policies which may result in a different revenue and EBITDA numbers?

Rajeev Dalmia: No, revenue number and EBITDA number will not change but the asset allocation will be based on the fair value because of the operation of the Ind-AS and other guidelines which will be governing the merger accounting. But as far as revenue is concerned, we will be guided by accounting standard 115 which is a new standard and the usual AS 9 of the Institute of Chartered Accounts of India, there will be no change. But the first balance sheet which will from say 1st of April 2018, the asset and liabilities merger will be based on fair valuation and not line by line valuation.

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

Vikas Mantri: Two questions. What is the significance of the reclassification of few of the promoters into public category? And is there anything that can go wrong or approval needs to be taken yet for the merger to go through? Can there be a situation now that the merger doesn't happen?

Rajeev Dalmia: Reclassification is a routine exercise like many other promoters have started and instituted it. So it is only by way of that official reclassification, Mr. Subhash Chandra will no longer be a promoter of the company and balance promoters will continue to be chief promoters. But the promoters holding today is 64% and after the reclassification, the promoter holding will go down by 10% and it will be 54% that is the only change.

Vikas Mantri: But sir after the merger, then will it go down much further?

Anil Dua: No, after the merger it was supposed to be 36%. So it will be around 31%-32% as far as promoter is concerned and we will be acquiring additional 10% in the next one year, so we will be around 42% and Videocon will be 18% and the 10% will be owned by Mr. Subhash Chandra and his company. And the balance 14%-15% will be by GDR holder, rest will be the Indian public.

The second question was on merger, as far as merger is concerned, now all the approvals are in place. We have already given a notice for the effective date which will be around last week of February, probably it will be around

25th or 26th of February and there is no roadblock, only GDR listing is required which we hope will be completed by let us say 20th or 21st of March.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Just continuing from one of the points that you mentioned in response to the previous caller. So aside from the deal closure, the post deal buyout also remains in place because our understanding looking at the Videocon d2h balance sheet was that, Videocon d2h promoter shareholding were largely pledged, in fact almost 95% of the shareholding in Videocon d2h was pledged which was not clear to us, given the fact that those shares are pledged and I mean how will you be able to buyback shareholding post the merger? There is absolute clarity on acquiring additional 5% immediately and 5% within 12 months post the deal closure?

Rajeev Dalmia: There is an agreement between the two promoters to purchase 10% shares in two sequence, 5% immediately after the merger and 5% after one year. That agreement is also filed with the stock exchange. So it will be executed.

Amit Kumar: Second question was with respect to these long-term packages that you had introduced, 6-month, 12-month kind of packages. Could you give us some color on how many subscribers are there on these packages right now?

Anil Dua: We were running promotions during the earlier part of this year which were like 'Free Teen Pe Chaar, Cheh Pe Aath and Nau Pe Barah'. In the last quarter -July August we stopped all that, instead we came up with a uniform pricing policy which is 10% benefit to anyone subscribing for 3 months and more or a 20% benefit for anyone subscribing for 12 months and more. So this has worked quite well for us. On one side, it reduces all the promotional cost. On the other side, this gets more and more customers locked in on a regular basis, not only during the period of promotion, but on an ongoing basis. We keep getting more and more customers locking into our longer pay terms which certainly is healthier and less risk from a business point of view.

Rajeev Dalmia: Amit, just one thing. Agreement is not filed with the stock exchange, but the intimation is given to the stock exchange.

Amit Kumar: Final question, the Mera Apna Pack, wanted to understand what it means in terms of incremental revenue and incremental gross contribution. You seem to indicate that subscribers which were taking earlier small package Rs. 50, kind of packages. Now they can choose a la carte. So instead of Rs. 50, they might be paying you only Rs. 20, Rs. 30 over the base package essentially. So that way revenue seems to be going down. But what does that mean in terms of your content cost also? Because that Rs. 50 package could have 10 or 15 channels versus when they are picking only 2 or 3 channels out of it. Correspondingly, your payout to broadcasters, do they go down? Or the deals are fixed so you actually net-net lose out in terms of rough contribution?

Anil Dua: We had lost you, Amit in between, but yes, we have understood your question. On this Mera Apna Pack versus a la carte pack, let me clarify to you that we are of course still selling those a la carte packs which were priced let us say at Rs. 60-Rs. 50 for movie pack, for GEC pack etc. But we wanted to widen our base. The number of people who are able to take these additional packs over and above the base pack that they have and also we wanted people especially in our kind of customer areas, this gives us huge competitive positioning vis-à-vis let us say cable and other operators in the market. So what we managed to do is that our total base who today are subscribing to a la carte packs, Mera Apna packs has really grown. So a lot of our customers who are on a la carte pack are still there, but lots of new customers who have never tried taking an a la carte have taken about 14 lakh Mera Apna Pack. Standard definition pack is at Rs. 10 and High definition channel at Rs. 20. So this has really widened the net for us and as this habit grows, we expect people to take additional channels. So today the number stands at 2 channels per customer, this could grow further as the habit of Mera Apna Pack forms and that will lead to a growth in ARPU. On the content cost side of Mera Apna Pack versus...

- Rajeev Dalmia:** That will be difficult derive, the content cost out of that
- Amit Kumar:** Basically, our understanding is that content contracts are not on per channel basis, right? They are either on a per customer basis or they are on fixed fee essentially. So as you get these customers, I mean as a sort of customers little bit even if there's a shift from a la carte to Mera Apna Pack, is this gross margin accretive? Or is it gross contribution accretive? Or is it gross contribution dilutive?
- Rajeev Dalmia:** If you see the cost of content, it still continues to be below 30%. So we are well within the budgeted figure of around 30%-31% and at EBITDA level, we are more positive than the usual pack wise revenue that we generate from these subscribers or from these kind of revenues.
- Amit Kumar:** So what would be the content cost for this particular quarter, you have stopped giving that for the last 2 quarters. So if you can help me with that?
- Rajeev Dalmia:** It was 245 Crores.
- Moderator:** Thank you. The next question is from the line of Deepesh Mehta from SBICAP Securities Limited. Please go ahead.
- Deepesh Mehta:** Just to get two-three data points kind of thing. What would be now our HD base? And I think we are focusing on HD base for the last few quarters say if you can help us understand why is it not helping us in terms of ARPU because some of your peers are also benefitting from that shift. Second question is about what is the subsidy or subscriber acquisition cost which we have currently running at? And the last one is about the savings which you mentioned about 5 billion and 7.5 billion. How much would be flow back into the business kind of thing, if you can provide some color or would it be the net benefit which you envisage for the combined entity?
- Anil Dua:** On the first question, let me answer on the high definition that has been our focus last quarter. It has been extremely successful. In this quarter, about 4 lakh gross adds out of 6.4 lakh, that compares to 2 lakh which had happened in the same festival quarter last year and compares to 3.4 lakh in the previous

quarter. So clearly on high definition side, we have upped the ante. In fact the incremental share I am told is about 38% in the last quarter of the total HD additions that have happened in the market. On your linkage to ARPU, this is something which I think is of a nature which will show impact in the coming quarters because we got people into the habit of trying this not for free but for a small cost. So we had a pack called an a la carte pack on HD which was Rs. 49 which many people have tried on top of their base pack. Now our intent is to upgrade these people further to our packs which are at Rs. 99, Rs. 165, Rs. 230. So we feel that is a roadmap to increase the ARPU from these customers whom we have got on our HD base now. On subscriber acquisition cost and merger synergies...

Rajeev Dalmia: The subscriber acquisition cost is around 1,510 for the quarter and merger synergy of 510 crores is on the gross basis that is the total amount that will accrue additionally on account of synergies that will arise out of merger.

Deepesh Mehta: So just two follow up on the first part is about the HD, so can you help us understand what will be the overall HD base for us out of let us say 15 million plus what we have?

Anil Dua: We have 3.4 million on out of 16 million.

Deepesh Mehta: And second on the savings part which we referred about gross basis, so considering the investment, how much you expect it to flow through net basis on P&L and whether it would be Q4 when we report consol number?

Rajeev Dalmia: It is largely emanating out of profit and loss account. What you are asking is free cash flow. So when we do the accounting for asset investment or investment in the new technology or revision in technology that will be coming by way of a fixed cost. It will not flow through EBITDA or profit and loss account. Only some amount of depreciation will increase. In free cash flow, there will be an impact, but that will be neutralized by the adjustment that will be there on account of sundry debtor and sundry creditor which will be coming from d2h.

- Deepesh Mehta:** So there would be no FCF implication?
- Rajeev Dalmia:** I would say very small implication in the first year.
- Deepesh Mehta:** And last is about the license fee which you refer to, whether there is any recourse let us say if government decides or court decides in future that companies need to pay that license fee which is currently in our balance sheet as part of contingent liability and Videocon is off balance sheet, then whether we have to bear it or we have some agreement where Videocon erstwhile promoter needs through take?
- Rajeev Dalmia:** After the merger, the entire assets and liability will flow to us.
- Moderator:** Thank you. The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.
- Himanshu Shah:** Sir if you can just help with the revenue breakup and churn percentage during the quarter?
- Rajeev Dalmia:** Revenue breakup, 692 crores is subscription revenue, bandwidth was 22.5 crores, advertisement 14.5 crores, other operating income 5.5 crores.
- Himanshu Shah:** Secondly now if I just see our last 2 years performance, I know couple of other analysts have also asked like 2 years back we were doing around 250-260 crores EBITDA. Airtel also was at similar number on a quarterly basis. Today, they are probably 50% higher than from that number whereas we are 30% down. So how do we see gaining means what differently we are trying to do in the business in terms of probably improving our subscriber mix distribution strategy, if you can throw some light, some color to improve the EBITDA number other than on the cost side or synergy sir?
- Rajeev Dalmia:** This is a very holistic question which we have answered in part throughout the call at different stages like why the revenue is what revenue is. We are trying and making all our endeavors so that the revenue from HD subscriber moves faster than the downgrading which is taking place from the standard definition. If that is being neutralized or that is being negated, then the

revenue will start flowing in. Whatever good work is done by the company on account of HD upgrade, HD new subscriber, HD a la carte is going not in the revenue front because on a standard definition, you see lot of traction of the subscribers to go downwards or to adopt lower level of pack. So that is creating problem and since we had a pool of subscribers coming from hinterlands, so that correction will take maybe few quarters when we will be able to overcome that challenge and HD will rule like it is ruling in Tata Sky and Airtel and revenue will flow much faster than what it is going today.

Himanshu Shah: Just one or two more follow ups. Out of the HD sub base of 3.4 million subs, how much would be actual HD pack subscribing to actual HD pack?

Rajeev Dalmia: It will be around 1.6 to 1.8 million and balance is around SD or SD plus HD a la carte.

Himanshu Shah: So what proportion of subscribers would be non-paying or in 0 to 120 day bucket?

Rajeev Dalmia: Out of this 3.4?

Himanshu Shah: No, out of the total 15 million-16 million subs what we are reporting, 16 million subs?

Rajeev Dalmia: No, we have been this number on the basis of 120 days. Let us remain at that.

Himanshu Shah: So what would be the proportion of subs in 0 to 120 day bucket if you can just provide some color on non-paying subs in the 16 million sub base?

Rajeev Dalmia: They are not non-paying. They are partially paying, delinquent and paying for part of the year. Absolute non-paying will be very few subscribers and maybe in the next call we will provide that figure also. Today we are not ready with that figure.

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

Naval Seth: My question is again on the EBITDA front. When merger was announced, we were in the range of 250-260 crores of EBITDA while we have fallen off to now 200 odd crores quarterly run rate. So from shareholder point of view if I look at, has the EBITDA bottomed or we would see EBITDA growth only coming from cost synergies in next 2 years and then waiting for revenue accretion driving the EBITDA beyond FY20 as you stated HD would contributing?

Rajeev Dalmia: This quarter EBITDA had two exceptional element, we had to provide 22 crores additionally for the carriage element and also for the box which are not in use. I would say dispensation by the auditors that boxes which are not in use should be provided as we are hitting the merger, so if we keep the accounts clean, it will be better. So this amount was 22 crores and there was an amount of 11 crores in the content cost which we were not able to take the benefit because proper documentation was not done. So this will flow in the fourth quarter. So there was an impact of around 33 crores in this quarter because of exceptional, I would say circumstances and in the next quarter we will be on a normal basis and may hit the figure that you quoted in your call.

Naval Seth: And second question on GST. Should we assume that GST benefit which was supposed to come in, has been eaten away by the competitive intensity as pricing has fallen off because in the earlier calls you had mentioned there were some long-term packs; however, impact of that was not visible on GST new rate. So how should we assume, is that now done and dusted or one should still hope for GST led benefits?

Rajeev Dalmia: In our case, around 80% of the benefit has flown as far as GST is concerned. 20% subscribers which are on a long-term basis, I think that will also be over by March.

Naval Seth: So that means pricing has fallen off substantially despite of GST benefits kicking in, our ARPU has declined on sequential basis. So how should we assume or what should be the revenue growth one should expect as in revenue pressure continues over there. However, HD pack acceptance is a long-term process. So will revenue growth come back to double digit in next 2 years, anytime or it is again a hope?

Rajeev Dalmia: The problem is before the GST was announced, 99 pack was announced around January. So the price table was already low and GST give us around 2.5%-3% benefit if I combine the service tax as well as the entertainment tax. Future as you know that if the HD subscriber remains the way they are and tariff order is announced, then we will have much better place on whom to play than what we have today because of the mix of subscribers that we have acquired over number of years.

Naval Seth: Last question on churn rate?

Rajeev Dalmia: It was 0.79 this quarter, 0.8 you can say.

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

Rohit Dokania: Just two questions from my side. Could you talk about the timeline of the listing of the combined entity?

Rajeev Dalmia: It will be around 15th of March that also we cannot commit. Let us stick to the point of effective date which is we have said last week of February. Then whatever time taken by the stock exchange that will be there.

Rohit Dokania: Just a follow-up on this, we would not require any special approval again from NCLT to change the effective date right because earlier I believe it was 1st October 2017?

Rajeev Dalmia: We already got it, only after that we have proceeded.

Rohit Dokania: The second and the last question is so post the transaction and post reacquiring 10% stake from the Videocon promoters, do we have a right of first refusal for the rest of the stake that the promoters own?

Rajeev Dalmia: I cannot describe this over a call which is for the quarterly result.

Moderator: Thank you. The next question is from the line of Jai Dosh from Kotak Securities. Please go ahead.

Jai Dosh: Couple of bookkeeping questions. First of all, sir, you mentioned about license fee liability, which is, in your case, may be a little more than 900 crores and for Videocon, close to 600 crores, which is contingent liability. Now these numbers, at least in case of Videocon, we are aware that for the past 2 or 3 years there has not been much update on any increase in this liability number. Earlier in past, until 2013, '14, if I recall correctly, every year there was change based on the claim notice that government used to send and these liability numbers used to go up. Now for the past 2 or 3 years, both Dish TV and Videocon, has been paying a number which is lower than what, in the earlier years was provided for. So is there anything else over and above this, what you have indicated that can come up? Second is, last year you changed the structure to make it more tax efficient. Have you received any kind of acknowledgment from the government whether is it acceptable? Or there can be a possibility that they can come back with some tax claims around that as well? So some clarity on this. And whether the number that Videocon has indicated 575 crores, does it include interest tax interest or it's just pure liability, and interest can be over and above that?

Rajeev Dalmia: In our case this is cent percent of the gross total revenue and we are paying full as per the TDSAT order which was given on 28th of May 2010 and balance is being provided in the liability side and the total amount as I said is near about 1000 crores. In case of d2h, they are paying formula of TDSAT and the balance amount which is payable but not paid as per the licensing agreement or you can say 10% of the gross DTH revenue is treated as contingent liability and it is coming as notes to accounts in their balance sheet. If I add these two figures, it is around 1600 crores and as far as Dish Infra is concerned, we are fully confident that the steps taken by the company for licensing arrangement and other infra services which is provided by Dish Infra is fully within the law and we have not received any notice or message contrary to that from any ministry.

Jai Dosh: And sorry, I may have missed it. The 1,600 crores number includes the interest cost provisioning for both the companies or?

Rajeev Dalmia: No, in our case the 1000 crores is not interest. Interest is above and over that. And in case of Videocon, they are not providing interest. Interest is not provided by even Airtel and Tata Sky and Videocon. We are the only company which is providing interest as a prudent accounting practice.

Jai Dosh: Understood. And another small bookkeeping question. Now Videocon, they amortize lease rental over period like Dish TV used to do it earlier. And so going forward, starting next year, will lease rental be fully amortized in the first year itself, so the balance which is there on balance sheet around 200 crores. Will that be booked as revenue in FY 2019? I'm assuming you would align Videocon's P&L with Dish TV's accounting?

Rajeev Dalmia: No, both the companies will have to change because of the new accounting standard which is AS 115 and as per that standard, we have to book activation revenue as per the average life of the customer. So there will be some shift in the revenue in the year going forward. We will come out with detail in the next call.

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

Ankur Periwal: Just on the subscriber addition front, since last 2 years 17 as well as 18, the sub addition for us has come down significantly versus the earlier history. So do you think post-merger we can see uptick in terms of consolidated adds, subscriber addition overall?

Anil Dua: Yes, that is the hope. We are working towards it. I think we have spoken about cost synergies, but certainly we want to look to topline synergies as well as these two platforms come together. There are individual plans at both these platforms. Both have been driving their net adds this year and we hope that as these two platforms come together, we will be able to drive this faster.

Ankur Periwal: And just a follow up to it. The tie-up that Dish TV has or d2h has, both of them will be combined and those deals will continue going ahead as a combined entity. Is that understanding correct?

Rajeev Dalmia: Yes, even the two brands will operate for some time in order to attract same customers and so that there is no impact immediately on the new activism.

Ankur Periwal: Last question. On the TRAI's content pricing regulation, any updates over there because I think there was some meeting due in the month of February?

Jawahar Goel: I think the matter is still reserved for order in Chennai High Court and as we heard that broadcasters and government of India and TRAI, they jointly mentioned before the Chief Justice of Madras High Court and there was an assurance given that the order will be pronounced in a week's time. If that is prolonged, then we have heard that the parties are preparing themselves to go to Supreme Court as well for pronouncement of judgment.

Moderator: Thank you. We take the last question from the line of Vaibhav Badjatia from HNI Investment. Please go ahead.

Vaibhav Badjatia: Is there any change in the custom duty on the set-top box during the budget and if yes, what would be the impact on our stock going forward?

Rajeev Dalmia: There is a reduction of custom duty on set-top box, it has moved down from 20% to 10%.

Vaibhav Badjatia: So that will reduce from subscriber acquisition cost right?

Rajeev Dalmia: Yes, more or less.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today.

This transcript has been suitably edited for ease of reading