



# DISH TV INDIA LIMITED

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## 4Q FY2008 AND ANNUAL AUDITED RESULTS TELECONFERENCE JUNE 18, 4:00 P.M. INDIA TIME

**Moderator:** Good afternoon ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the Dish TV conference call. For the duration of the presentation, all participants' lines will be in a listen-only mode. I will be standing by for the question and answer session. I would now like to hand over the floor to Mr. Hitesh Vakil. Thank you and over to you sir.

**Hitesh:** Thank you Rita. Good afternoon ladies and gentlemen and thank you for joining us today to discuss the results for the fourth quarter ended March 31, 2008, and for the audited results for the financial year 2007-2008. We do hope that you had a chance to go through the earnings release and the copy of the results which is uploaded on our website [www.dishtvindia.in](http://www.dishtvindia.in). To discuss the results and performance, joining me today from a conference room in Mumbai is Mr. Subhash Chandra, Chairman of Dish TV and members of the senior management team of Dish TV including Mr. Jawahar Goel, Managing Director; Rajiv Dalmia, CFO and Mr. Sanjay Jain, CFO of , ESSEL Group. We will start with a brief statement from Mr. Chandra on the fourth quarter performance and the audited annual results and then we will open up the discussions for questions and answers. I would like to remind everybody that anything we say during this call that refers to our outlook for the future is a forward-looking statement that must be taken in context of the risks that we face. With this, I now hand over to Mr. Subhash Chandra, Chairman of Dish TV, India.

**Subhash:** Thank you Hitesh. I would like to welcome everybody to this call ladies and gentlemen. We appreciate you joining us for the fourth quarter report of FY 2008 and the audited financial results of the financial year 2007-2008. Dish TV finished the fourth quarter with a rise of 21% in the standalone revenue to Rs. 1364 million as compared to the quarter three of FY08, whereas our Revenue for FY2008 rose by 114% to Rs 4157 million as compared to last FY2007. This quarter we consolidated our efforts in capturing more market share and we continued being a dominant market leader. The strength arises not just from number of subscribers but also through Dish TV's commitment for providing wholesome entertainment. We have added 285,000 subscribers in this quarter and therefore the total number of subscribers stands in excess of 3 million as of March 31, 2008. We have been the dominant player with a pan-India presence. We have the highest number of channels in the industry with total of 180 plus channels. On the expense side, as you know, the major differentiator in

customer-centric industry is brand building and service. Hence, we invested aggressively to improve our brand and customer service systems in this quarter. Due to such huge investment, we have incurred an operating loss of Rs. 587 million in the current quarter which is 8% less as compared to previous quarter, which carried a loss of Rs. 637 million. Going forward, the company will continue to focus on subscriber growth and revenue growth by improving, enhancing the content and including usage of value added services, thereby improving the ARPUs.

I have given you the fourth quarter, and I would like to say for the financial year 2007-2008, our operating revenue stands at Rs 4127 million, up by 116% against last financial year of rupees Rs. 1909 million. With our DTH revenues of Rs. 3411 million maintained a strong proportion of 83% of the total revenues. The total expenditure has gone up by 66% to Rs. 6323 million as compared to the financial year 2007. If you look at individual factors of cost, our subscriber-related expenses of Rs. 3635 million, maintained a proportion of 57% of the total expenses. Operating losses have gone up by 17% to Rs. 2166 million as compared to the last fiscal year. The entire year, the focus has been on a three-pronged strategy of aggressive subscriber acquisition, improvement in quality of subscribers, and enhancement of customer experience at all service touch points. Apart from this, fourth quarter 2008 has also seen tremendous enhancement in infrastructure and services by Dish TV. We have at present a dealer universe of 38,000 outlets catering to the customers across 4500 towns in India. There are over 10,000 service personnel in the market delivering installations and service support to the Dish TV subscribers. The service organizations are also supported by 1000 call center agents speaking 11 different languages from 7 different locations. Moreover, there are service centers across the country, all in an effort to reach the customer in the shortest possible time if the need arises. Dish TV continues to be the platform with the widest content packaged in most consumer-friendly, customizable packages which continues to be one of our biggest strength and product differentiator. We are confident that with the coming of the newer competition, Dish TV is all prepared to optimize the opportunity that lies ahead and take the majority share of the emerging markets. We look forward from the next year with optimism and assure you that we will continue to deliver more value to the various stakeholders and our viewers. And with this, I would now like to hand over to Hitesh back to open the floor for questions and answers.

**Hitesh:** Ladies and Gentlemen, we are ready for questions now, but before that I would request all participants to please limit themselves to two questions, so we can get as many people on as possible. Rita...

**Moderator:** Thank you very much sir. We will now begin the Q&A interactive session. Participants connected to the India bridge who wish to ask question, kindly press \*1 on your telephone keypad. Participants connected to the international bridge who wish to ask questions, kindly press 01 on your telephone keypad. On pressing \*1 or 01, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press \*1 or 01 now. First in line, we have Mr. Siddhant from Sunidhi Securities. Over to you sir.

**Siddhant:** Hello, good afternoon, Siddhant here.

**Subhash:** Yes Siddhant.

**Siddhant:** My question is pertaining to the customer acquisition cost which is around Rs. 2600 if I am not mistaken.

**Siddhant:** So, could you just give us the breakup of the same actually. And my second question will be why this cost has gone up so much compared to Q3 and secondly how we write off the customer acquisition cost?

**Subhash:** Well, as you rightly said that customer acquisition cost Rs. 2600 is only for quarter four and for the average full year it is Rs. 2060 but for the next year we are budgeting our customer acquisition cost at Rs. 2800 rupees and the entire cost is going to P&L account during the year of acquisition.

**Siddhant:** Okay. Under which head actually, can you just give us the breakup?

**Rajiv:** It is going under the respective head of marketing, sales, and distribution and subsidy on boxes.

**Siddhant:** Okay,. And can you just give us a breakup of this Rs. 2600, I mean how much is coming from box subsidy, distribution cost, marketing, and sort .

**Subhash:** We can't give the breakup, it is competitive information, but this includes the advertising, marketing cost, the subsidy on the hardware and everything and distribution cost as well.

**Siddhant:** Okay, thank you sir. And my second question will be on this ARPU, what will be the current ARPU?

**Subhash:** Current ARPU is about Rs. 194 for Quarter 4 as against previous year average of Rs. 130.

- Siddhant:** Okay. I will get back with some more questions. Thank you.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Piyush from Centrum Broking. Over to you sir.
- Piyush:** Thank you. Good afternoon gentlemen. First question is with respect to value added services, are you witnessing meaningful traction from subscribers and is there any uptake in the VAS revenue so far, sir?
- Jawahar:** Yes, the revenues for value added service is less than 1% right now and it is mainly from movie on demand. We are going to start charging for the games portal from July-August. So, this is how we stand.
- Subhash:** See, value added services in this business in the internationally matured markets is going at about 20%.
- Piyush:** Right.
- Subhash:** And in a way, we are now going to start this VAS in a meaningful way .
- Piyush:** Okay.
- Subhash:** Starting from the games and then we will add few more things.
- Piyush:** Okay. So, what will be the charges for the gaming portal sir, if I may ask.
- Jawahar:** One will be free, continue to be free, and the second one we will charge, second one we will charge Rs. 50 to Rs, 100 .
- Piyush:** Okay. Second question was with respect to MDU sales. We are aware that there is an effort going on by Dish TV to push MDU sales, but are real estate developers showing any interest in putting MDU in the entire townships.
- Jawahar:** Well, we are in touch with the builders in the developing market like Pune and Mumbai and they are coming forward for installing and doing the wiring at the initial planning stage even.
- Piyush:** Okay.
- Jawahar:** ...because this is an ongoing process to cover the new building and also to cover the existing building. So, this efforts will keep on going and lot of new builders are showing interest and some of them are closely reverting to it.

- Piyush:** Okay. So, these would be more of long-term projects because we are still installing them, but subscriber revenue would start once people start occupying those spaces.
- Jawahar:** See, if you remember that TRAI has made a consultation or a suggestion that the civic authorities who passes the plans, they should make the building broadband ready.
- Piyush:** Right.
- Jawahar:** Similarly, we had discussed with TRAI that also includes the DTH segment, but there is not much of progress because it is a very fragmented and difficult to control and regulate the entire process.
- Piyush:** Okay, okay. Thank you sir.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Shubham from Macquarie Securities. Over to you sir.
- Shubham:** Yes. Thanks a lot for the opportunity. I have two questions. One is, you know, Mr. Chandra, you mentioned ARPU for the full year is Rs.190 , can you just clarify as to whether this is ARPU calculated on the net subscriber number which is 2.5 million or is it ARPU calculated on the gross subscriber number, because it does seem to us that it is much higher than what was earlier being guided for and my second question would be the administrative selling and market distribution expenses have come in way ahead of expectations. If you could just give us a sense of whether it is coming because of subscriber acquisition costs or is it coming because of other administrative expenses and what to expect for the coming year because this really is a big swing factor in the P&L of the company.
- Rajiv:** ARPU for the quarter four was Rs. 194 and ARPU for the whole year is Rs. 165 and this is based on 2.5 million subscribers that is gross subscriber minus churn.
- Shubham:** So, it is based on net subscriber number.
- Rajiv:** Yes. Because now since we have declared net subscriber...
- Shubham:** So, going forward, all subscriber number declarations as well as ARPU guidance will be based on net subscribers, right.

- Rajiv:** The ARPU will be on net basis, but we will continue to provide both the numbers, gross number as well as net number.
- Shubham:** Okay, sure. And is there any sort of guidance for ARPU for fiscal year 2009, I think you were suppose to give us the refreshed idea of ARPU guidance.
- Subhash:** We will definitely want to go to Rs.220-225.
- Shubham:** For the full year next year fiscal 09?.
- Subhash:** Yes.
- Shubham:** Okay, great. And any guidance on subs number sir?
- Subhash:** Subs number we should be able to add 2 million more subscribers minimum in this year, probably more.
- Shubham:** Okay, thank you. I will come back if I have more questions. Thank you so much.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Amit Kumar from Kotak. Over to you sir.
- Amit:** Very good evening to you sir. I just wanted to know this license fee reduction from 10% to 6%, has the notification for this already been announced and, as and when it is announced, will it be for the whole of FY08-09?
- Jawahar:** Yes, the Ministry of I&B has sent the proposal to cabinet, it is lying with the cabinet, it may take four to six weeks' time, but it will be effective from April 1, 2008.
- Amit:** Fine. And just a couple of housekeeping questions sir. In the direct operating cost, how much would be the contribution from carriage fees?
- Jawahar:** There is no money received in this financial year (07-08) .
- Amit:** But in the first two quarters, there were some charges on that as well.
- Rajiv:** No, but that has been netted off as the content cost.

**Amit:** Yes, so I just wanted to know if you could give me some idea about what are the overall charges, what are the overall carriage fee revenues.

**Subhash:** It would be more of a competitive information in this respect, but there would be a reasonably good number this year.

**Amit:** And what is your expectation from FY09, what kind of a growth in this particular segment are you looking at in carriage fees roughly?

**Subhash:** Well, we are starting from a zero base bhaiyya Amit.

**Amit:** Okay sir.

**Subhash:** Whatever comes, it would be substantial.

**Amit:** Fine. I will come back if I have any other question.

**Subhash:** Yes.

**Amit:** Thank you very much.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Amit Purohit from Motilal Oswal Securities. Over to you sir.

**Amit:** Good afternoon sir. Just want to know two things, one on the revenue breakup in terms of lease rental and the subscriber revenue and second is I wanted to understand how does it work when there is any churn happening in terms of what does the company do with the subscriber and the set-top box which is there, how do we take into account in terms of numbering also, housekeeping, I mean just wanted to check with you on this.

**Rajiv:** Yes, in terms of rental, it is around 12% to 15% of the total revenue.

**Amit:** For fourth quarter?

**Rajiv:** Yes.

**Amit:** So, of the total Rs. 135.9 crores that you did in fourth quarter, how much would be subscription revenue in this?

**Rajiv:** It is Rs. 112 crores.

- Amit:** Okay sir,. And how much would be the free subscribers still in our system, because we have been running that scheme of 1 year free subscription, how much of that would be still there in this?
- Jawahar:** The box free scheme is till 30<sup>th</sup> June.
- Amit:** Okay,. And also on the churn thing that 3 million and 2.5, so that is a huge churn happening, so I just want to check how are we going to going forward, what would be the outlook and all.
- Rajiv:** No, it is not 3.2 million, it is 3 and 2.5.
- Amit:** Yes, 3 and 2.5. So, what would be the outlook...
- Jawahar:** See, the subscribers keep on coming back and start paying again.
- Amit:** Okay.
- Jawahar:** On net basis, we have fairly improved over last quarters and the previous quarter we have less than 1 % churn.
- Amit:** Okay.
- Jawahar:** ...very, very low.
- Amit:** Okay. So, do we return the set-top box, I mean do we get the set-top box back from the subscriber, how does it work?
- Jawahar:** See, it is not a cost effective mechanism to recover the set-top box.
- Amit:** Okay.
- Jawahar:** But we have a scheme, gift to a friend scheme...
- Amit:** Okay.
- Jawahar:** ...where a subscriber can sell or give it to another subscriber, and he gets activated. So, this is how we will keep on doing and we register the new



subscriber and because subscriber has spent a lot of money on acquiring the set-top box, they are not just throwing away, it is recycled in the market.

**Amit:** Okay. So, basically I am asking this because we have this free set-top box, so a user can use it for six months and then probably move into a new scheme.

**Jawahar:** Actually not, because to get entry, he has to pay Rs. 4000.

**Amit:** Right.

**Jawahar:** Then, they get 12 months' subscription and the set-top box free...

**Amit:** Right.

**Jawahar:** ...and the movies free.

**Amit:** Right.

**Jawahar:** So, there is an entry cost involved.

**Amit:** Okay, thank you sir.

**Moderator:** Thank you very much sir. Next in line, we have Ms. Ayesha from Goldman Sachs. Over to you ma'am.

**Ayesha:** Hi there. I just had a couple of questions. Firstly, could you give the subscriber split between the different packages that you have including those subscribers on some TV packages and secondly if you could just elaborate a little bit on who you will be charging the carriage fees from, would it just be a certain number of broadcasters?

**Jawahar:** See, on the subscriber numbers on the package-wise, that is a competitive information, which we would like to hold on, and on the bandwidth charges which we have started charging from this year and we have to build up this revenue. We have certain projection, but again we can't discuss, this is a competitive information.

**Subhash:** But it will be charged Ayesha to the channels which, we are reviewing, even today out of 180 channels, we have almost 50 channels where we have not yet signed a long-term agreement. So, we are reviewing all of them and you will know that how much is the bandwidth charges we call them, not carriage fees,

so to speak, what would be that. The basic principle is that wherever there is no pull by the viewer and if a programmer or the broadcaster wants their channels to be finding space in our system, they have to pay the cost plus some margins.

**Ayesha:** Right. And are you launching additional capacity this year or do you have access to additional capacity?

**Subhash:** We have capacities.

**Ayesha:** During this year?

**Subhash:** Sorry.

**Ayesha:** There was a satellite that was going to be launched that you were going to have extra capacity on, am I mistaken or...

**Subhash:** Well, depends, maybe sometimes we don't have capacity when there is a programmer who comes and if somebody pays, then we make the capacity available.

**Ayesha:** Okay, thanks very much.

**Moderator:** Thank you very much ma'am. Next in line, we have Mr. Vikas Mantri from ICICI Securities. Over to you sir.

**Vikas:** Sir, just wanted to understand in our next year plan, are we planning to put in MPEG4 set-top boxes or continue with the MPEG2 and what is the current position as per TRAI on this.

**Jawahar:** You see the MPEG4 is not yet a licensed activity. The current licenses are for MPEG2. There is a committee sitting in the BIL to formulize these tenders for MPEG4 and then it has to be notified by the government. As Dish TV, we have plans to accommodate MPEG4 bundled with high definition in quarter of this financial year when a high-definition content is made available.

**Vikas:** And for next year subscriber acquisition cost, we are factoring in MPEG4 therefore?

**Jawahar:** No, what I said that it is high-definition content.

**Vikas:** Okay.

**Subhash:** Customer acquisition cost has got no impact on whether it is MPEG2 subscriber or MPEG4 subscriber.

**Vikas:** Sir, I was to believe that MPEG4 boxes are costlier and therefore it might be higher.

**Subhash:** Yes, that person who wants to take MPEG4 costlier boxes, that gives us some savings also on the transponder and other costs.

**Vikas:** True sir, thanks a lot, Yes.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Ruchit Mehta from HSBC. Over to you sir.

**Ruchit:** Yes, hi, good afternoon and great sort of numbers. Just wanted to get a sense, you know, in this quarter out of the Rs. 129 crores of DTH revenues, could we get a split of what was the subscription revenues .

**Rajiv:** Out of this, Rs. 112 crore is subscription revenue and Rs. 16-17 crore is rental revenue.

**Ruchit:** Okay, great. And in the operating cost, what percentage will actually be the pay channel cost?

**Subhash:** Well, we don't want to discuss that pay channel cost breakup my dear Ruchit.

**Ruchit:** But sir, you have been discussing it in the previous three-four quarters, so just wanted to get a sense, you know...

**Subhash:** Ha ha ha...you got used to it is it?

**Ruchit:** Yes...ha ha ha.

**Subhash:** Yes, we got a lot of calls from our program suppliers, so they said you are paying less and TATA Sky is paying higher, so we said that let us not disclose this. That is still high than we want...where we want to be.

**Ruchit:** Okay,. Also just to understand sir on the channel front, you know, in a sense there are lot of channels, especially the newer ones which have been launched, they don't seem to be on our platform either immediately or even after, getting some sort of success or not, what are doing to address that, I mean are you

looking to add those channels and is this becoming a bit of deterrent in adding customers?

**Subhash:** No, as long as we know that there is no deterrent in adding the customer, we will not add the channels on to the system. We want to negotiate a proper pricing and everything and contract.

**Ruchit:** Okay, great. And just a quick query on your balance sheet, could we get a sense on what is the total debt outstanding?

**Rajiv:** Yes, it is Rs. 510 crores.

**Ruchit:** This is all long term, short term plus promoters everything?

**Rajiv:** Out of this, Rs. 170 crores is bank loan and balance is from the associates .

**Ruchit:** Okay. What will be your cost of borrowing on this?

**Rajiv:** 11.5%.

**Ruchit:** Okay, great. And just finally sir, you know, you are looking at adding almost 2 million subscribers, but your subscriber addition cost is going up, so I mean, what incremental, how greater bleed are you looking going into fiscal 09, I mean this year we have almost lost 400 crores, so would this increase substantially to almost 800 odd crores or that is too high a number?

**Subhash:** No, no, no, we don't expect the 400 crore loss to increase.

**Ruchit:** Okay fine. Okay, great. Thank you so much.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Shetty from Kotak PMS. Over to you sir.

**Shetty:** Congrats for strong top line numbers. If you can just give a sense of, you know, response stories and schemes which you have launched in terms of numbers?

**Subhash:** Sorry, didn't get your question.

**Shetty:** Recently you launched a scheme 3990, if you can give a sense of, what is the kind of a response to that.

**Jawahar:** Well, we used to do about 3000 acquisition per day. Because of this scheme, now we are doing 5500 to 6000 per day.

**Shetty:** Okay sir, thank you very much.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Kunal from Dalal & Broacha. Over to you sir.

**Kunal:** Yes, hello, good afternoon sir. Hello..

**Subhash:** Good afternoon Kunal,.

**Kunal:** Yes sir, I just have a question on your rights issue, I just wanted to know the diluted equity after the rights issue are done ....

**Subhash:** What was your question Kunal?

**Kunal:** Sir, what would be your diluted equity after the rights issue?

**Subhash:** We are just waiting SEBI approval and we will know it very soon in the next two-three weeks only.

**Subhash:** But since it is a rights issue if all share holders are subscribing, then there is no dilution to anybody no.

**Kunal:** Okay. Sir, and what...

**Subhash:** Or is that not correct. Am I missing something which was...why your question was.

**Kunal:** Sir, I just wanted to know what rate would you be giving that at?

**Subhash:** Oh, what price we would be giving at. What price would you want to buy?

**Kunal:** If the current price is there, it would be fine.

**Subhash:** Ha ha ha...No, let us see, we will take a call, the Board has to take that decision. We have not yet done. We will wait for SEBI approval and some day we will set the pricing.



**Kunal:** Okay. And sir one more, there was an article in Economic Times in regards to the delay in the CAS rollout to the new cities, do you see any kind of a slowdown in that regards to your subscription base?

**Subhash:** That is good for DTH business, for Dish TV it is better if CAS rollout doesn't happen.

**Kunal:** Okay, like I didn't get how would that be, like how do you get that, as in if CAS rollout is not there, it would be a negative right?

**Subhash:** No. When CAS rollout happens and people buy digital boxes for the cable, why would they then come to Dish TV.

**Kunal:** Okay, alright. Thank you.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Anupam Tiwari from Reliance Mutual Fund. Over to you sir.

**Anupam:** Sir, good evening. Congratulations on good set of numbers. My question has been asked and answer. Thank you.

**Subhash:** Thank you Tiwariji.

**Anupam:** That's it on my part.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Krishnan from Ambit Capital. Over to you sir.

**Krishnan:** Yes, hi. I just wanted to understand a little bit on your transponder capacity at this point of time, if you could share some insights over there.

**Subhash:** You see, Krishnan, everyone has got limited capacity, what we have is that we have sufficient capacity to provide customer what they want.

**Krishnan:** Okay, as in right now we are at about 185 channels I guess, I mean how much more is the capacity that you can add, and I mean I think we lost one transponder during this quarter, is that true or am I mistaken?

**Subhash:** No, that is not true, we have not lost anything.

**Krishnan:** Okay,.



**Subhash:** We have at the moment 185 channels, but some of the channels which are not adding value may go out from the bouquet.

**Krishnan:** Yes, fair enough,.

**Subhash:** Yes.

**Krishnan:** Sure. Thanks.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Hiren from Goldman Sachs. Over to you sir.

**Hiren:** Yes, the question was like in the free package, I mean if the customer comes by paying 3990 and after one year, he doesn't renew the package, then how do you account for the set-top box rental?

**Rajiv:** We collect the rental in advance. So, there is no ambiguity whether he comes after one year or he is not coming.

**Hiren:** So, in terms of the accounting as and when the customer comes, activates the package, that is why all the rentals are accounted in advance, is that how it works?

**Rajiv:** Correct. Yes, it is in advance and we charge it off over a period of five year vis-à-vis depreciation.

**Hiren:** Okay. And so if there is a churn then you charge off in that year only, I mean if the customer goes away.

**Rajiv:** No, it is not. It is charged off over a period of five years whether customer remains or not because we cannot have a customized specific accounting. Accounting has to follow its own path.

**Hiren:** Okay, thanks a lot, Yes.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Hitesh from Dolat Capital. Over to you sir.

**Hitesh:** Good evening sir. Just going through right issue document, we have debtors of Rs. 44 crores. So, what does that comprise of?



**Jawahar:** These are linked to the teleport charges, which we keep on getting on quarterly basis or so like that.

**Hitesh:** Okay. And sir where do we take our STB cost, is it in intangible assets or is it into the gross block?

**Rajiv:** No, it is in the gross block as capital equipment.

**Hitesh:** Okay, thanks a lot sir.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Prashant Kothari from ICICI Prudential AMC. Over to you sir.

**Prashant:** Sir, just wanted to understand our subscriber addition rate has slowed down compared to Q3 while the customer acquisition cost is higher. So, despite giving high subsidy, we are not able to add at the same rate as we are adding earlier. Can you just explain why this is happening?

**Subhash:** Prashant, where did you get these figures that customer acquisition is lower than last quarter.

**Prashant:** Sir, last quarter, you added about 3 million subscribers while this time you added 2.85 million subscribers.

**Subhash:** Last quarter, we added 278,000...

**Prashant:** 297,000 if I am correct in reading your earnings release.

**Subhash:** Quarter two was 297.

**Prashant:** No sir, quarter three was 297, quarter two was 278.

**Subhash:** Maybe you are right, these are correct, just see.

**Hitesh:** We will get back to you on these numbers. The point is that from quarter three last year to quarter four, we have increased our sub-base.

**Subhash:** The net addition is higher than the third quarter, Prashant.

**Prashant:** Okay. We got access to the net addition numbers.





- Subhash:** There might have been higher acquisition but higher churn also, but we will get back to you on this.
- Prashant:** Okay.
- Subhash:** But as far as management information is concerned, we have added higher number than quarter three in the quarter four.
- Jawahar:** You see when there is an event, some events are important, such events are there, that time acquisition gets accelerated more. So, this is the process in this industry.
- Prashant:** Okay, thank you sir.
- Moderator:** Thank you very much sir. Participants who wish to ask questions, kindly press \*1 on your telephone keypad. Next in line, we have Mr. Amit Purohit from Motilal Oswal. Over to you sir.
- Amit:** Sir, just a follow-on question. One on the new regulation wherein ala carte basis procurement of channel is allowed. So, is it practically happening at the ground level, I mean are you able to get the channels on the a la carte basis from the broadcaster and what is your view on this.
- Jawahar:** See, you can see the channel on a la carte basis, but of course you have 185 channels on the satellite and every month you have to send 185 files for each of the customer and if you have 3 million customers, the amount of data is large and then normally we do a packaging.
- Amit:** Okay.
- Jawahar:** And we cannot service and nobody, even cable and all these things can offer all the channels on a la carte basis.
- Amit:** Okay.
- Jawahar:** You have to buy on a la carte and do a packaging at your end...
- Amit:** Okay.

- Jawahar:** We had gone on some mode which as per the contract we had. Under ROI, we are doing our own calculations and make the different packaging.
- Amit:** Okay. And sir lastly on the...our satellite launch. Is it still on, when are we gong to get more clarity on this?
- Jawahar:** I think launch date is somewhere in the last week of this month, let's see. Anything more than that, we cannot report.
- Amit:** Okay, thank you sir.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Hardik from Arsh Advisors. Over to you sir.
- Hardik:** Good afternoon sir. I wanted to know the depreciation policy which we are planning to follow.
- Rajiv:** On set-top boxes, we are charging depreciation at a rate of 20% and the balance equipment will be as per the company Act and they are ranging from 6% to 30%.
- Hardik:** Okay. And second question is what is the debt to equity ratio?
- Rajiv:** See, the total free reserves plus equity is Rs. 210 crore and debt is around Rs.510 crores.
- Hardik:** Okay, thanks a lot sir.
- Moderator:** Thank you very much sir. Next in line, we have Ms. Sandhya from Mehta Securities. Over to you ma'am.
- Sandhya:** Hello sir. I just want to get sense on what was your inventory days, creditor days, and debtor days for the year.
- Subhash:** Yes. Sandhya, can you repeat your question?
- Sandhya:** I just want to get the sense of what was your inventory days, creditor days, and debtor days for the year.
- Subhash:** Inventory days, creditor days, and debtor days.

- Rajiv:** Inventory is 15 days to 25 days maximum.
- Sandhya:** Okay.
- Rajiv:** And debtor it is mostly from teleport charges.
- Sandhya:** Sorry.
- Rajiv:** Teleport charges. We don't have debtors from the normal subscription revenue.
- Sandhya:** Okay.
- Rajiv:** It is only arising out of teleport charges, teleport revenue...
- Sandhya:** Okay.
- Rajiv:** ...which is around a month.
- Sandhya:** Okay, for teleport, this is only for teleport services.
- Jawahar:** Yes. Our service, we do the business, DTH business is on prepaid terms.
- Sandhya:** Okay, okay. And creditors?
- Subhash:** We take about 60 days credit.
- Sandhya:** Okay, thank you sir.
- Moderator:** Thank you very much ma'am. Next in line, we have Mr. Urmil Shah from Kim Eng Securities. Over to you sir.
- Urmil:** Could we have a sense of the CAPEX for the next two to three years.
- Rajiv:** Yes, the next two year CAPEX will be in the range of Rs.1600 to Rs. 1800 crores.
- Urmil:** And specifically for FY09, how much would it be?
- Rajiv:** FY 08-09, it will be Rs. 1100 crore and mostly for purchase of set-top boxes and accessories.

- Urmil:** Okay. So, secondly the right issue you fund would be part of this 1800 crores or we will need additional equity dilution.
- Subhash:** No, no, this is part of the whole planning.
- Urmil:** Okay, thank you.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Amit from Kotak. Over to you sir.
- Amit:** Hello sir. Just a couple of followup questions. One is that, you know, the Rs.1100 crores that you plan to raise, what kind of a subscriber addition are you building into your own expectations for FY09 and 10.
- Subhash:** We said ,we have given guidance for 2 million subscription addition for this year.
- Amit:** Alright. And sir I just wanted to understand there is also a scheme that you are running along with ESPN, where you give an, additional credit of 500 rupees to the consumer, just wanted to understand what is the breakup of, you know, of that Rs. 500, what is the breakup which is being borne by ESPN and which is borne by you?
- Subhash:** It is all borne by ESPN.
- Jawahar:** It is borne by ESPN. On top of this, they are spending about Rs. 5 crores for marketing.
- Urmil:** So, the marketing is also being done by ESPN?
- Jawahar:** Yes.
- Subhash:** There is 5 crore spend by them.
- Urmil:** Right sir. And just...I believe there is a deal, there is an English movie deal that you have done with Sony as well I believe for your video on demand service and you have similar deals for your Hindi movies as well. Just want to understand whether that is a revenue share agreement or a minimum guarantee agreement and what kind of a spend are we looking to do on the video, movie VAS service for FY09?
- Subhash:** These are revenue-shared deals.

- Urmil:** And, what kind of... okay, these are revenue shared and this does not make sense, okay. Thank you very much.
- Moderator:** Thank you very much sir. Next is a followup question from Mr. Shubham from Macquarie Securities. Over to you sir.
- Shubham:** Yes, thank you. I had a couple of questions. If you could just tell us about the plan to launch your own satellite and why would you want to do so and what is the sort of, you know, savings or economics resulting from your own satellite launch would you have and how many transponders would that satellite actually give you?
- Subhash:** That gives us economic advantage Shubham...
- Shubham:** Yes.
- Subhash:** ...and we are not yet telling what capacity, but we feel that we are way ahead in the game from competition in planning our capacity requirements.
- Shubham:** And is there a voluntary move to actually upgrade to MPEG4 boxes and provide MPEG4 connectivity to clients or customers, and I think you mentioned something on the call, but I could not get the entire timeframe and...color on that.
- Subhash:** Quarter three we will be launching MPEG4 along with high definition.
- Shubham:** So, quarter three onwards whatever boxes you will sell will be MPEG4 compression.
- Subhash:** You can take it that way.
- Shubham:** Sorry.
- Subhash:** Yes, you can take it that way Shubham.
- Shubham:** Okay. And what would be the cost implication for the customer premise equipment. We understand that your total, the four key elements in customer premise equipment, adds up to about Rs. 2500 rupees at this point to buy some windows, what is the first increase in price that will entail?

- Subhash:** We have taken Rs. 2800 as customer acquisition cost for the full year.
- Shubham:** But I am just asking about the hardware elements, you know, which are there at the customer premise, which is set-top box, dish, LNB, and wiring.
- Subhash:** We don't want to discuss price ,Shubham at what price we are buying.
- Shubham:** Okay.
- Subhash:** We want to see that we come out that your buying should be more economical than our competition.
- Shubham:** Okay. And the second thing I just wanted to understand is just the economics of the free set-top box offer, I mean the free set-top box offer is, you know, all there, out there in the media. So, can you just tell us how the entire economics will work, broadly. I mean I don't want you to sort of give out intricate details, but just the broad outline of that scheme.
- Subhash:** They have already gone in court in MRTP on these schemes.
- Shubham:** But that has been rejected, isn't it.
- Subhash:** It has been rejected, but you see Shubham, as I told you that our customer acquisition cost for this quarter is Rs. 2600 rupees. Now, whether it is box free or not box free or programming free or whatever it is, all the freebies we give, that is our customer acquisition cost.
- Shubham:** Sure. And I think in a reply to a question, Mr. Dalmia or you answered that, you know, even if a customer actually leaves or churns out in 6 months or 12 months after coming on to your network, you have actually got the entire set-top box rentals in advance. Is that the case for all customers that you are adding now, I mean answered that, you know, whether the customer leaves in 6 months or 12 months, that really doesn't hurt you because, you know, you have got all the money from the customer upfront. Is that really the case, just a confirmation on that?
- Jawahar:** No, there are three different schemes which in 3990 where we also give credit pack of Rs. 500 with the help for ESPN and there is a 2990 scheme where we give only six months content and 2490 is also one scheme. So, on 3990, we give highest subsidiary in terms of content. So, these are different scheme has got a different SAC and the consumer's proposition.

- Subhash:** No, what he is asking is that are you recovering rental in all the cases on 100% basis. Answer is yes Shubham.
- Shubham:** Okay. And you will be amortizing it over a 4-year period for accounting purposes.
- Subhash:** Five years.
- Shubham:** Five years, Yes. And finally if I am allowed to ask one more, right now, on your value-added services platform, on your video on demand movies platform, how many movies can a customer actually see at any...how many movies are you now offering and do you plan to increase that?
- Subhash:** We will be increasing. Now what we are...abhi tho kya hai that our platform of movie on demand has got established and now we will be experimenting with more newer and newer movies, so abhi tho it is only 1% of the revenue is coming from value added services. So, it has to be augmented and we have to increase our revenues.
- Shubham:** Correct. Sir, I just want to know how many movies can one choose from at any given point in time, like as a customer how many movies or titles would be appearing on..
- Subhash:** At any given point of time, there are three, four, five movies on a daily basis from which you can choose, no...
- Jawahar:** Yes. Hindi, we run two or three movies and English, we...
- Subhash:** But they keep changing on an almost daily basis.
- Jawahar:** Daily basis, we change .
- Shubham:** And the pricing of that is Rs. 70 to Rs.80 isn't it, that hasn't changed.
- Jawahar:** We have Rs. 50 and Rs.60.
- Shubham:** 50 and 60.
- Jawahar:** Yes.

**Shubham:** But do you envisage a need to sort of reduce that, so that people actually start seeing more because the frequency of movie viewing on your platform will be very, very low at this point, to go for a more volume-driven strategy.

**Subhash:** No, Shubham I think movie on demand, it is the question of the movie. So, if the movie is a newer and fresher movie, probably you can charge more money. I mean we are toeing out with the idea that why not to give a movie on demand the same day when the movie is released in the theater. So, in that case, I would like to charge Rs. 300-400, even up to Rs. 500. Today, if you go with your wife and yourself you spend 500 rupees in a theater and plus probably more. If you are sitting at home, you can call all the family, friends, 10 of you watch in Rs.500. So, these are different things which... some movies when we have extra capacity on the transponders, we may have movies running, there might be 100 movie channels running on the platform and some movie would be available at 20 bucks and some movie would be Rs.50, some would be Rs. 100, some would be 500 rupees.

**Shubham:** Correct, Yes, that is what I was trying to get at. Yes, I think that will be a great strategy and that could potentially kill, you know, piracy.

**Subhash:** Yes.

**Shubham:** Okay, thank you so much.

**Subhash:** Right.

**Moderator:** Thank you very much sir. Next in line, we have Mr. Siddhant from Sunidhi Securities. Over to you sir.

**Siddhant:** Yes, hello. Just a followup question, this recent TRAI mandate for the broadcaster to charge the DTH players at 50% less than what they are charging in non-CAS areas. So, will this reduce the content cost in that case or it is just the pass-through cost I mean...

**Subhash:** Yes, this has been from day one this cost of 50%.

**Siddhant:** Hello...

**Subhash:** This has been right from beginning.





- Siddhant:** Okay, okay. And second is this mobile dish actually, how do you see the demand coming in this business, mobile on cards and all that.
- Subhash:** No, we didn't get your question. Recently, TRAI passed the order for 50% as equivalent to DTH for the IPTV. There is no new thing passed by TRAI recently on that.
- Siddhant:** Okay. On this mobile TV, I mean what is the demand scenario and how do you see these things pan out going forward?
- Subhash:** Mobile TV pe, abhi kuch nahi aya .
- Siddhant:** Okay. Thank you sir, thank you.
- Hitesh:** Rita, we can take only the last question now.
- Moderator:** Sure sir, that is Ms. Salochana from IL&FS Investsmart.
- Rachana:** Yes, hi, good evening. I am Rachana from IL&FS. Just a couple of questions, recently TATA Sky launched a lower package pricing. I just wanted to confirm isn't it misleading because they have dropped couple of channels against it, how does the trade and consumer react to such schemes, does the competition benefit from such offers or how has been the response to such schemes?
- Jawahar:** Actually, we don't want to talk about competition, but definitely the prices have gone up from Rs. 300 to Rs. 345.
- Rachana:** So, it has not actually come down effectively?
- Jawahar:** No, 12 channels have been removed from the Rs. 300 and they have started charging separately.
- Rachana:** Okay. Just one more question on churn subscriber base, are they completely written off from the system or they referred to get them back, I mean how is the treatment of the subscribers who have been churned out.
- Jawahar:** We keep on getting 6% to 7% subscribers back from that kitty.
- Rachana:** Okay.
- Jawahar:** So, it is a ongoing process and it remained as is it.



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**Rachana:** Okay. Also, one more thing sir, on launch by a competition that we are going to see, how are we geared I mean this current scheme which is running on free set-top box, is it capped in terms of number of additions you are seeing under this scheme or will it be like will when we will have this scheme in the market.

**Jawahar:** See, we cannot give the competitive detailed information which we cannot discuss, but the normal announcement in the market is at till the stock last or 30<sup>th</sup> June.

**Rachana:** Okay, okay fine, thanks sir, I am done. Thank you.

**Subhash:** Thank you.

**Moderator:** Thank you very much ma'am. At this moment, I would like to hand over the floor back to Mr. Hitesh Vakil for the final remarks. Over to you sir.

**Hitesh:** Thank you all for joining us. We hope to have a transcript of the call very soon on our website [www.dishtv.in](http://www.dishtv.in). We will look forward to speaking to you again at the end of first quarter for FY 2009 or even earlier on a one-on-one basis. Thank you and have a great day.

**Moderator:** Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.

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