

Dish TV India Limited
Third Quarter Ended December 31, 2008, Conference Call- Fiscal Year 2009
January 22, 2009

Moderator: Good evening Ladies and Gentlemen. I am Manjula, the moderator for this conference. Welcome to the Dish TV India Limited Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to International Bridge. After that, the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Harshdeep Chhabra. Thank you and over to you sir.

Mr. Harshdeep Chhabra: Thank you. Ladies and Gentlemen, thank you for joining us today to discuss the results of the third quarter ended December 31, 2008, of fiscal year 2009 for Dish TV India Limited. To discuss the results and the performance today we have with us Mr. Subhash Chandra, Chairman of Dish TV and senior management team of Dish TV including Mr. Jawahar Goel, the Managing Director; and Mr. Rajiv Dalmia, the CFO. We will start with a brief statement from Mr. Jawahar Goel for the third quarter performance, and we will then open up the house for discussion. 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 the context of the risks that we face. Our results and our earnings release are uploaded on our www.dishtvindia.in. With this, I now hand over to Mr. Jawahar Goel, Managing Director Dish TV India Limited.

Mr. Jawahar Goel: Thank you Harsh. I would like to welcome everybody to this call Ladies and Gentlemen. We appreciate you joining us for the third quarter report for financial year 2009. Dish TV finished the third quarter with a robust growth of 11% in standalone revenue to Rs. 1927 million as compared to the quarter two of FY '08. Dish TV has maintained its leadership position through an improved market share of all DTH subscriber in this quarter. New offers and extensive marketing campaign have contributed to our impressive subscriber acquisition in this quarter. We continue to sustain our strong growth momentum by adding 7.89 lakhs subscribers in this quarter, and the total number of subscribers stand at 4.72 million as of December 31, 2008. We have recorded phenomenal customer growth, and this is the testimony of our distribution network as well as our focus on providing affordable service to all.

We have launched Aapki Wish. Aapka Pack. offer. This new package provides customers complete freedom of choice to customize channel packages. Dish TV has always taken the lead in enhancing the value proposition thereby expanding the DTH market, and this value addition towards customer will prove to be a key differentiator in the times to come. This

new initiative is in line with our reason to add value to the lives of millions of customers across the length and breadth of the country and the customers' first choice.

Dish TV launched a variety of 30 + a-la-carte Packs ranging from Rs. 15 to Rs. 55. These Packs have been so designed so as to offer maximum entertainment options and largest content basket at every price point. Dish TV offers largest width and depth of the content in the industry, which refers to the number of channels that we are offering and depth to the genre or the language in which the content will be made available. Currently, we offer 225 channels and services. The effort is to provide varied fare covering maximum genre in multiple languages.

We continue to invest in brand building and service infrastructure. Due to such huge investment, we have incurred an operating loss of Rs. 389 million in the current quarter. Apart from this, third quarter 2008 has also saw tremendous enhancement in infrastructure and services by Dish TV. We have at present a dealer universe of 48,000 outlets catering to the customers across 6600 towns in India. There are over 225,000 service personnel in the market delivering installation and service both to the Dish TV subscriber. The service organizations are also supported by 1600 personnel at their call center speaking eleven different languages from seven different locations. As part of our constant endeavor to provide world class service to the customer and to bring Dish TV experience close to the consumer, we have initiated free service camps, the free service camp that we extend to our customer in our way to proactively reach out to the customer and reassuring them that the company cares for them.

Dish TV has consistently led the DTH market in the country through its cutting edge products and superior services. Our philosophy of delivering value and high-quality service to our customers combined with a strong business leadership has made Dish TV the largest DTH service provider in the country.

With this, I would like to handover to Harsh for opening the floor for question and answers. Thank you.

Mr. Harshdeep Chhabra:

Thank you sir. We are now ready to take question and answers. I would request everyone to restrict themselves to two questions each, so that we can get as many people in as possible.

Moderator:

Thank you. We will now begin the Q&A interactive session for India participants. To ask a question, please press *1 now. First in line, we have Mr. Ruchit Mehta from HSBC. Please go ahead.

Mr. Ruchit Mehta:

Hi, good evening sir. Could you give some update as to what is the status of the rights issue?

Mr. Jawahar Goel: We got the necessary approval from stock exchange for the listing of the rights, and most probably tomorrow, it will be listed.

Mr. Ruchit Mehta: So, what is the level of subscription that we saw in the rights?

Mr. Jawahar Goel: The level of subscription was very low. So, it was subscribed by the promoter....

Mr. Ruchit Mehta: Okay.

Mr. Jawahar Goel:in order to put the 100% of the issue capital.

Mr. Ruchit Mehta: So, the promoter has subscribed through whatever the shortfall was there from the public?

Mr. Subhash Chandra: Yes.

Mr. Jawahar Goel: Yes.

Mr. Ruchit Mehta: Okay, okay, and sir just wanted to understand slightly better the money that flows into Dish because of this rights issue, that should be sufficient for us to take us to that five to seven million or six to seven million bracket.

Mr. Rajiv Dalmia: Yeah, Ruchit, we have assumed an annual outlay of 800 crores each for the next two years or eighteen months and that is how we have projected 1500 crores, out of which 480 is raised through by debt and 1140 is to be raised out of rights issue.

Mr. Ruchit Mehta: Okay.

Mr. Rajiv Dalmia: And we strongly feel that we will be able to tide over and reach to EBITDA level with this amount.

Mr. Ruchit Mehta: Sure, and if you can comment on just one more question. In this quarter, we have seen sequential cuts in lots of cost, like for example, commission has come off, I mean considering the number of subscribers you added, I would have expected a little bit more cost there and even staff cost has come off, even admin cost have cost off. So, could you just explain to us that please?

Mr. Rajiv Dalmia: Commission, we used to reach 550 rupees per new activation.

Mr. Ruchit Mehta: Okay.

Mr. Rajiv Dalmia: Now, we are giving 450 rupees. We have cut commission from distributor, dealer and say dealer incentive margins, and as far as marketing is concerned, the amount was contained for some big launch may be in next months. So, we were slightly conservative in the last two months.

Mr. Ruchit Mehta: Okay.

Mr. Rajiv Dalmia: Which other cost?

Mr. Ruchit Mehta: Sir, about staff count because it is half from quarter on quarter basis.

Mr. Rajiv Dalmia: Staff count, we booked bonus amount of the first two quarter.

Mr. Ruchit Mehta: Okay.

Mr. Rajiv Dalmia: ...but bonus may not be a feasibility this year because of the environment in which we are operating. So, we have not booked bonus for this quarter.

Mr. Ruchit Mehta: Okay.

Mr. Rajiv Dalmia: And we have also reversed the bonus which was earlier booked of the last two quarters.

Mr. Ruchit Mehta: Okay, but cash would not have been paid to the employees?

Mr. Subhash Chandra: No, no, these are provisions...

Mr. Ruchit Mehta: Okay.

Mr. Subhash Chandra:for payment in the first quarter next year.

Mr. Ruchit Mehta: Sir, what would be the normative staff cost, I mean, say assuming if you were not to book the bonuses, what will be the normal staff cost for quarter.

Mr. Rajiv Dalmia: The total will be safely we can say 34 crores. So, it is around 9 crores per quarter.

Mr. Ruchit Mehta: Okay, okay, great and just one final question. You know, the cut in the dealer margins, has that impacted the number of customers that we are adding, I mean, any impact on that?

Mr. Jawahar Goel: Actually, the reason why we have toned down the dealer-distributor margin, that this amount was based on that the market was Small and the customer acquisition was roughly about 200,000 when two operators were there. So, now there are almost 800,000 plus subscriber acquired, and this is almost the same number of the dealers which are in the business. So, that is why we are reducing and there is no impact on the business.

Mr. Ruchit Mehta: Okay, okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Amit from Kotak Securities. Please go ahead.

Mr. Amit: Good evening sir, very good set of numbers. I just wanted to, you know, clarify on your cost. Could you just give me the breakup of the content cost and other direct cost?

Mr. Jawahar Goel: Amit, we are cutailing the content cost with some broadcasters, but we do not disclose the numbers of the content cost. In absolute terms it is the same as the last quarter.

Mr. Amit: Okay fine and sir, could you also give me, you know, what were the bandwidth fees that you charged from broadcasters this quarter?

Mr. Jawahar Goel: See, the annual booking contract is 35 crores to 36 crores. So, we have charged almost around 8 crores to 9 crores this quarter.

Mr. Amit: Okay, so that is also same as last quarter?

Mr. Jawahar Goel: Yeah.

Mr. Amit: Okay and sir, you know, again coming back to the point which is already made. I mean, if you look at I think last quarter, you added about, you know, half a million subscribers and this quarter you have added about 0.78 to 0.8 million subscribers, which is almost, you know, more than 50% growth, but you discretionary expenditure has actually declined by 17%. Now, I take your point that, you know, you have cut your distribution margin from 550 to 450, but that is also only a 20% decline. So, you know, the numbers do not seem to be reconciling. Could you just give us some color here, what is happening?

Mr. Subhash Chandra: See, this reconciling the number, one would like to mention to you one thing that when any customer when he goes to the dealer and the dealer is selling let us say all the three or four services, this has been well established today that the dealer does not have much time to spend with the customer, but at the same time, they are realizing that and they are telling to the customer that Dish has got the maximum number of channels. So, to that extent and clubbed with the services and the quality, it has given Dish a better name, and I think it has beaten the fears of earlier people used to talk about Reliance and Bharti coming into with that thing. So, that fear has also gone and now reconciliation of the numbers Mr. Dalmia is giving you.

Mr. Rajiv Dalmia: Hello?

Mr. Amit: Yes sir.

Mr. Rajiv Dalmia: Yes, primarily it was 100 rupees and last quarter we had some backlog of the commission which we had not paid or may be it was due because of some special scheme launched because last quarter we saw lot of competitive activities. So, there was some additional amount, may be it was more than 550, but this quarter, it is less than 550 and it is around 450 and we feel that it will continue to be around 450 per new subscriber added.

Mr. Amit: But sir, I mean for the last quarter, if we take.....

Mr. Rajiv Dalmia: Last quarter, it was 48 crores.

Mr. Amit: Yeah, right, 49 crores actually.

Mr. Rajiv Dalmia: Yeah, 49.

Mr. Amit: Right.

Mr. Rajiv Dalmia: This quarter, it is 40.

Mr. Amit: Right.

Mr. Rajiv Dalmia: So, may be 100 rupees, we paid extra last time because there were lot of competitive activities and this quarter we have paid as per 450 rupees.

Mr. Amit: Right and sir that is what I am trying to understand, because you know, a 100 rupee differential does not...because you know, the number of subscribers that you have added in this quarter, that has also gone up by almost 50%.

Mr. Rajiv Dalmia: No, if you take 40 crores, if I am saying it is 450. So, 450 into 0.8, it will be the same figure.

Mr. Jawahar Goel: But it also has various other cost elements besides the distributors' margins, and we already have mentioned that it has gone down.

Mr. Rajiv Dalmia: It has gone down by 100 rupees from last quarter.

Mr. Amit: Okay.

Mr. Rajiv Dalmia: So, that is the reason, and there are various other elements. So, 8 crores is less, and we have 800,000 subscribers at 100 rupee saving is the 8 crores rupees.

Mr. Jawahar Goel: No, not that way, not that way. If you multiply 450 into 800,000, it will be corroborating with the figure that we have shown.

Mr. Hitesh Vakil: Perhaps we are getting into reconciliation into Amit, so we can take your questions offline and provide you the details.

Mr. Amit: Okay sir, not a problem, just one last point. What was the churn for this quarter, you added 0.7, 0.8, 0.9 million subscribers, how many subscribers actually churned out during this quarter?

Mr. Jawahar Goel: It was 170,000.

Mr. Amit: 170,000?

Mr. Jawahar Goel: It was 1.4% per month.

Mr. Amit: 1.4% per month? Fine, thank you sir. I will come back if I have anything else.

Mr. Jawahar Goel: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Anusha from JHP Securities. Please go ahead.

Ms. Anusha: Hello sir. Sir, just this question about the debt and the cash position?

Mr. Subhash Chandra: Debt and cash position.

Mr. Rajiv Dalmia: Debt, outside debt as on 31-12-08 is 410 crores from five banks.

Ms. Anusha: Okay.

Mr. Rajiv Dalmia: What was the other question?

Ms. Anusha: Cash?

Mr. Subhash Chandra: Cash position.

Mr. Rajiv Dalmia: Cash position if you ask me today it will be around 400 crores because we have received the rights issue money....

Ms. Anusha: Okay.

Mr. Rajiv Dalmia:which is remaining with me as unutilized.

Ms. Anusha: The 400 crores?

Mr. Rajiv Dalmia: Yeah.

Mr. Subhash Chandra: There is a group debt in addition to the outside debt.

Ms. Anusha: Okay and sir, I do not know whether it will be a silly question or not because I have just started tracking Dish TV. If you could just make me understand what is the gross subscriber base and the net subscriber base?

Mr. Rajiv Dalmia: See, gross is 4.7 million.

Ms. Anusha: No, no, that difference. I mean, I do not understand what does it mean, I mean when you are telling a gross subscriber base, what does it mean?

Mr. Jawahar Goel: The difference are the customer which are not regularly paying to us.

Ms. Anusha: Okay, basically the inactive customers?

Mr. Jawahar Goel: Yeah.

Ms. Anusha: Okay fine, thank you sir.

Moderator: Thank you very much ma'am. Next in line, we have Nitin Mehta from Macquarie. Please go ahead.

Mr. Nitin Mehta: Thank you for giving the opportunity.

Mr. Nitin Mehta: Sir, I just have two questions. One, is clearly regarding the rights issue, the disclosures will be made tomorrow?

Mr. Subhash Chandra: Yes, tomorrow morning, the advertisement will appear and tomorrow the stocks will be listed also.

Mr. Jawahar Goel: No, the basis of allotment is already published today in Financial Express.

Mr. Nitin Mehta: Okay.

Mr. Jawahar Goel: The basis of allotment and most probably it will be listed tomorrow.

Mr. Nitin Mehta: Okay sir, so can you disclose what percentage is being subscribed by the promoters and what is by the existing shareholders?

Mr. Jawahar Goel: The issue stands fully subscribed.

Mr. Nitin Mehta: Okay.

Mr. Jawahar Goel: And there were some amount of under-subscription which was subscribed by the promoter.

Mr. Nitin Mehta: Sir, the breakup in terms of percentage, what?

Mr. Jawahar Goel: May be, we will come to know tomorrow.

Mr. Nitin Mehta: Okay tomorrow. Fine sir. My second was sir, you mentioned about outside debt of 410 crores from banks.

Mr. Rajiv Dalmia: Yeah.

Mr. Nitin Mehta: But what is the quantum of debt right now from the promoter group companies or....

Mr. Jawahar Goel: See, it was 325 crores.

Mr. Nitin Mehta: Okay sir, so the total debt essentially is....

Mr. Rajiv Dalmia: 735 crores.

Mr. Nitin Mehta: 735, okay. Thank you sir.

Mr. Rajiv Dalmia: Thank you.

Moderator: Thank you very much. Participants who wish to ask questions, may kindly press * followed by 1 on your telephone keypad. Next in line, we have Ms. Tanu from Quantum AMC. Please go ahead.

Ms. Tanu: Hello?

Mr. Jawahar Goel: Yeah.

Ms. Tanu: Sir, can I get your cost in net currency?

Mr. Rajiv Dalmia: Yeah, 11.25%.

Ms. Tanu: That is the blended number?

Mr. Rajiv Dalmia: Yeah.

Ms. Tanu: How much are you paying to bank, if I can just ask that number?

Mr. Rajiv Dalmia: Banks, we used to pay 12.75.

Ms. Tanu: Okay.

Mr. Rajiv Dalmia: But from the month of November, we are paying 12.25.

Ms. Tanu: Okay and sir can you share something on the working capital side, how much would be the creditor days as of now?

Mr. Jawahar Goel: No, we do not enjoy any working capital because we are in a pre-paid mode, and we have no current assets to fall back.

Ms. Tanu: Right, that is why I was asking, the creditor days if I could get? How much would be the creditors as of now if you could share that as on nine months?

Mr. Jawahar Goel: I cannot give a figure of creditor right now.

Ms. Tanu: Alright. Okay, and sir, just one last question. Do you see an impact of economic slowdown on DTH industry as a whole and Dish in particular? What is the kind of impact? Do you think people will probably postpone their connections or they will go for the lower ARPU connections?

Mr. Jawahar Goel: Actually, you have seen that the number of subscribers have grown by 50% from comparative to the last quarter.

Ms. Tanu: Right sir.

Mr. Jawahar Goel: The a-la-carte package offer which has got a very good response, we have a good order and everyday we are increasing that order. So, I do not think that there is a slowdown, rather people do not go out and just stay at home and television consumption goes up because of the slowdown.

Ms. Tanu: Sir, going forward also, you are not of the view that there might be a slowdown for the industry as a whole and you in particular?

Mr. Jawahar Goel: There are international statistics when there is a recession, the television consumption goes up.

Ms. Tanu: Right, alright sir. I am through with my questions. Thank you sir.

Mr. Jawahar Goel: Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Neerav Dalal from Capital Market. Please go ahead.

Mr. Neerav Dalal: Good evening sir. I wanted the ARPU for the quarter and customer acquisition cost?

Mr. Rajiv Dalmia: The ARPU for the quarter was 137.

Mr. Neerav Dalal: Okay.

Mr. Rajiv Dalmia: And SAC is 2832.

Mr. Neerav Dalal: 2832 and what would be going forward....what would be the scenario?

Mr. Rajiv Dalmia: We feel it will be around 2500, mainly it depends on rupee-dollar parity.

Mr. Neerav Dalal: Okay and regarding the ARPU?

Mr. Rajiv Dalmia: ARPU should be 145 to 150.

Mr. Neerav Dalal: Okay because earlier we were talking about 150 plus in the last quarter.

Mr. Rajiv Dalmia: Yeah, it should be around 150 annual average. On December 31, 2008, it is 146, nine months average.

Mr. Neerav Dalal: Okay, okay. Thank you.

Mr. Rajiv Dalmia: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Hiren from Goldman Sachs. Please go ahead.

Mr. Hiren Dasani: Yeah, sir, the churn for this quarter is about 1 lakh 75 thousand, right?

Mr. Rajiv Dalmia: Yes.

Mr. Hiren Dasani: So, on an annualized basis, if I were to look at it, it worked out to be almost 20%.

Mr. Rajiv Dalmia: No, but in the last two quarters, the churn percentages are very low and we have assumed 1% per month in our business plan, and so far, if you analyze it, it will be around 0.75% to 0.8%.

Mr. Hiren Dasani: Any particular reason, why so much of churn this quarter?

Mr. Jawahar Goel: The reason, because there was no event, but sports event was there. Secondly, on the GEC channel, there were some strike was there. May be some reason of slowdown when the people cannot afford. This was a minor thing, but I think in the month of January, we will again recover from this scenario.

Mr. Hiren Dasani: Okay. So, you think, I mean, some of them have already come back, you are saying?

Mr. Jawahar Goel: Yeah.

Mr. Rajiv Dalmia: Yeah.

Mr. Hiren Dasani: Okay and sir on the promoter group company's debt of 325 crores, now will it be paid back once the rights issue money is coming in?

Mr. Rajiv Dalmia: Yeah, it was part of the purpose of the issue mentioned in the letter of offer, that it will be paid along with the other expenses which is likely to be incurred out of the proceeds of the rights issue.

Mr. Hiren Dasani: So, one should assume that the overall debt, I mean, the total debt will remain at about 410 crores or something?

Mr. Rajiv Dalmia: It will be around 480 to 500 because that is the sanctioned amount or that is the board sanctioned amount available to us.

Mr. Hiren Dasani: Okay, thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Amit from Kotak Securities. Please go ahead.

Mr. Amit: Sir, I just wanted to understand, you have mentioned that your ARPU has fallen to about 150. On a net paying subscriber base, your ARPU seems to have fallen to....sorry, sorry...looks like there is something wrong with my calculation. Let me come back to you once again.

Mr. Rajiv Dalmia: No, no, let me tell you. In the first quarter, ARPU was 164. In the second quarter it was 150. The third quarter, it was 137, and the average is 146.

Mr. Amit: Okay.

Mr. Rajiv Dalmia: And it is available on all the three results that we have published.

Mr. Amit: Right, right, right. Sorry, fine. I will come back. Looks like I had made some mistake in my calculations. Not a problem. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Mohan Lal from Ambit Capital. Please go ahead.

Mr. Mohan Lal: Hello sir, my question has been answered. Thanks a lot sir.

Moderator: Thank you very much sir. Participants who wish to ask questions, may kindly press * followed by 1 on your telephone keypad. Next in line, we have Mr. Hemant from Eight Capital. Please go ahead.

Mr. Hemant: Good evening sir. Congratulations for the excellent set of numbers. Sir, I would request you to share more details on how the industry has grown during this quarter?

Mr. Rajiv Dalmia: The total industry number during this quarter was 3 million as against 1.2 million last quarter and 1.1 million may be for the first quarter. So, it was three times if I compare quarter one and quarter three.

Mr. Hemant: Okay, so we are increasing our market share in a rapidly increasing market as well, right?

Mr. Jawahar Goel: Yeah, we are.

Mr. Hemant: Okay, thank you.

Moderator: Thank you very much sir. I repeat again, participants who wish to ask questions, may kindly press *1 on your telephone keypad. Next in line, we have Ms. Zahara from ASK Investment. Please go ahead.

Ms. Zahara: Thank you. Sir, I do not know if you have taken this question earlier on, but I joined in late. Just wondering if you could comment on increasing competitive intensity in the industry and how do you sort of propose to take on Bharti and R-Comm?

Mr. Jawahar Goel: See, that Bharti and R-Comm, they are in the market, and prices-wise or the subscriber acquisition-wise, if you see that as the whole industry has done 3 million and Dish TV has done 7.9 lacs. So, this is one aspect of that. The other thing is that on some of the issues we work together like on license fees issue or entertainment tax or service tax issue, we work together jointly. So, I think it is a welcome move, and however, we will be posting some information and presentation on website, you will be able to see that.

Mr. Subhash Chandra: On especially to address this aspect, in addition to the transcript of this conference call, we are posting a presentation for the benefit of the investors addressing this issue particularly.

Ms. Zahara: Okay. Alright, fair enough. Thank you.

Moderator: Thank you very much ma'am. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. Harshdeep Chhabra for final remarks.

Mr. Harshdeep Chhabra: Thank you all for joining us. As Mr. Chandra just mentioned, we will soon be posting a presentation on this particular aspect and two or three other aspects in terms of addition and industry scenario. We would soon have the transcript on our website also available on, www.distvindia.in. We will look forward to speaking to you again towards the end of the fourth quarter or even earlier on a one-to-one basis. Thank you and have a great day.

Moderator: Thank you very much sir. 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 great day.
