



Dish TV India Limited 4th Quarter FY09 Results Conference Call

June 18, 2009, 1400 hrs IST

MODERATORS: MR. SUBHASH CHANDRA - CHAIRMAN - DISH TV
MR. JAWAHAR GOEL - MANAGING DIRECTOR- DISH TV
MR. RAJEEV DALMIA - CFO - DISH TV
MR. ATUL DAS - HEAD, CORPORATE STRATEGY & BUSINESS DEVELOPMENT - ESSEL GROUP
MR. HARSHDEEP CHHABRA - SENIOR MANAGER- IR, ZEE GROUP

Moderator Ladies and gentlemen good afternoon. This is Rochelle, the Chorus Call Conference Operator. Welcome to the Dish TV India Limited 4th Quarter FY09 results 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 at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Harshdeep Chhabra of the Zee Group, thank you and over to you Mr. Chhabra.

Harshdeep Chhabra Ladies and gentlemen thank you for joining us today. This conference call has been organized to update our investors on Dish TV India Limited's performance this quarter and to share with you the outlook of the management of the company. Joining me today is Mr. Subhash Chandra, Chairman of Dish TV and member of the senior management team of the company including Mr. Jawahar Goel-Managing Director, Mr. Rajeev Dalmia-CFO, Mr. Atul Das- Head Corporate Strategy and Business Development, Essel Group. We will start with a brief statement from Mr. Goel and we will then open the discussion for questions. 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. With this, I now request Mr. Goel to address the audience, over to you sir.

Jawahar Goel Thank you Harsh. Welcome everybody and thank you for joining us today for the earning call after announcement of audited financial results for this Q4 fiscal year ending March '09. Dish TV has achieved a landmark 5 million subscriber mark this year. This is not just a significant milestone for the company but also symbolizes the successful growth of Indian pay-TV market, which as of 31st March, 2009, stands at roughly about 12 million. Notably, Dish TV acquired over 2 million subscribers in FY09 as compared to 1 million acquisitions in the previous year and thereby an increase of 100% on a year-on-year basis.

With Dish TV continuing to sustain its strong growth momentum, India is now set to become Asia's leading DTH market. We have recorded a phenomenal customer growth and this is a testimony of our distribution network as well as our focus on providing affordable services in the region. Dish TV became EBITDA positive at operational level in Q4 '09 and we look forward to remain positive at EBITDA level before the end of FY2010.

Dish TV has delivered a strong performance in terms of revenue growth and has further consolidated its leadership position. The Gross sales and operating revenues in Q4FY09 were Rs. 2081 million as compared to Rs. 1,363 million in the corresponding period in FY08 representing a 53% growth YoY. The total revenues for FY09 stood at Rs. 7,390 million, an increase of 79% over the previous year.

The comparison between subscription revenues and the pay channel cost has been improving, thereby resulting in a positive EBITDA.

During the year, the company launched the "Aapki Wish Aapka Pack" offering with two value pack set top box of Rs.1490 and combo pack of Rs.2090, which includes set top box, platinum pack for 3 months. Efforts such as these lead to Dish TV consolidating its leadership position even in the wake of the launch by two major players and with one existing regional player spreading its presence pan India.

To increase the ARPU, Dish TV launched a premier channel on the "Movie On-Demand Service", which broadcasts the latest Hollywood and Bollywood movies within week of their theatrical release. The adoption of this kind of practice has been the first time in the country. Dish TV premieres various blockbuster movies on its service, which are international and Bollywood movies.

We, at Dish TV, firmly believe that innovation is a key differentiator for our business and channeling it appropriately helps us to continuously deliver enhanced experience to our customer. Our philosophy of delivering value and high quality service to our customer combined with strong business leadership has made Dish TV a largest DTH service provider in the country.

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

- Harshdeep Chhabra** Thank you sir. Ladies and gentlemen we are ready for questions now. I would request you to restrict yourself to two questions per head. We could go ahead with questions and answers now.
- Moderator** Thank you. Ladies and gentlemen we will now begin with the question and answer session. Our first question is from the line of Amit Kumar of Kotak Securities, please go ahead.
- Amit Kumar** Sir, I just wanted to know in your DTH services revenue, what is the contribution of rental income and how much are the bandwidth charges?
- Rajeev Dalmia** Total bandwidth charges for the year is Rs 25 Crores and for this quarter it will be around Rs 6.5 Crore.
- Amit Kumar** How much was rental income for this quarter?
- Rajeev Dalmia** Well, full year 110, so this quarter it should be around Rs 31-32 Crores.
- Amit Kumar** Sir, in your expenditure side are there any one off, I note that for the full year there are from mark-to-market losses that you have on currency transactions, are there any one off gains or losses on the cost side this time?
- Rajeev Dalmia** We have adopted the AS-11 accounting standard, as per the new guideline for the Accounting Standard and because of that around Rs.14 Crores, which was earlier charged of to profit and loss account is now accounted for in the assets.
- Amit Kumar** So what I am saying is that essentially are you netting these Rs 14 Crores off in any of your line items?
- Rajeev Dalmia** No.
- Amit Kumar** Okay fine sir. Yeah, that is it from my side I will come back.
- Moderator** Thank you Mr. Kumar. Our next question is from the line of Abneesh Roy of Edelweiss, please go ahead.
- Abneesh Roy** Sir Congratulations on achieving a positive EBITDA. My first question is on the industry level there are some estimates that DTH numbers for FY10 ending would be around 17-18 million from the current around 11-12

million. My question is do you still expect that 17-18 million can be reached in the light of Ambika Soni working on fixed license to other players?

Jawahar Goel Actually, our estimate is that this financial year industry adoption will be more than 10 million subscribers. Month on month basis we track that and it is 700,000 to 800,000 which we had seen in April and May, and the month of June is also going to be at the same level and these are lean periods. When the festival season comes in it will be more than a million subscribers on monthly basis and as far as HITS is concerned I think that will also open up the industry. The more number of players means more adoption in this category.

Abneesh Roy Sure sir, but more players were in the same technology so marketing campaigns were aimed at that particular technology, but with HITS of course, you have some other value addition to the customers like Internet and triple-play, better gaming option, so I wanted to understand, do you still think that HITS will only add to the acceleration on DTH?

Subhash Chandra Abhneesh, basically the HITS will start digitization of the process or the digitization of the cable. There are two different products where HITS is for the cable industry and Dish is for the Direct to Home Operations.

Abneesh Roy Okay sir and regarding value-added service could you give us some colour as in how much it has helped in improving your ARPU in the overall year say in one year timeframe, how much has been the addition to ARPU from value-added services?

Jawahar Goel We had only say Rs 27 Crores from the value-added services and then majority of them was from say carriage fee and around Rs 3-4 Crores from the Movie On-Demand, but the rest of the value-added services are available for free. However this year we will be achieving much more than that because Movie On-Demand is catching up very fast and we will also make streaming pay value-added services from the month of say August and September.

Abneesh Roy So, these numbers were for the full year you said?

Jawahar Goel Yes.

Abneesh Roy Okay sir thanks. That is all from my side.

- Moderator** Thank you Mr. Roy. Our next question is from the line of Arvind Venugopal of Screen Digest, please go ahead.
- Arvind Venugopal** Hello, good afternoon thanks for taking my question. Just going back to what Abneesh asked you, you mentioned that you had about 3 to 4 Crores per year from Video On-Demand. Would you be able to give us a breakup as to how many movies are subscribed to by a subscriber per month?
- Jawahar Goel** This will be competitive information.
- Arvind Venugopal** Alright. The second one would be regarding any additional transponder that you have leased over the past year and whether you have any plans for launching HD services considering they are one of your key competitors who have done so in the last quarter?
- Subhash Chandra** Actually, there is no HD channel on the Indian sky offered by a broadcaster, but definitely we are going forward in next two quarters we will also have the set top box of HD capability which will be given to high ARPU customers.
- Jawahar Goel** As far as your first question on the transponder, we had added some capacity on the transponder on the same satellite, which is an ongoing process. We believe that whenever there is transponder capacity available, we would be looking grab it.
- Arvind Venugopal** Right, okay thanks, I will come back if I have anymore questions, thank you.
- Moderator** Thank you. Our next question is from the line of Piyush Choudhary of Centrum Broking, please go ahead.
- Piyush Choudhary** Good afternoon sir congratulations for great set of results. My first question is that your programming cost has come down sharply quarter-on-quarter by 23% and it is down to like 40% of the revenue for the quarter, could you shed some light on what lead to such a sharp reduction and is it sustainable at this level going forward?
- Jawahar Goel** Actually, if you had noticed that from the month of November we had started offering the channels which were expensive on an A-la-Carte basis, so that has given us a leverage to offer subscribers various packages at different price points and average cost per subscriber come down. Earlier, we offered only 4 packages and then we added roughly about 50 such

packages where the subscriber only pays for this additional content. So, this has helped us lower content cost. We also renegotiated some contracts at a favourable price.

Piyush Choudhary So, would it be fair to assume that this is sustainable at these current levels going forward also?

Jawahar Goel Yeah it is sustainable.

Piyush Choudhary Okay and sir, what is the current subscriber acquisition cost for the quarter, just a bookkeeping question?

Rajeev Dalmia It was around Rs. 2600.

Piyush Choudhary And the current net debt and cash position sir?

Rajeev Dalmia Debt is around 800 Crore.

Piyush Choudhary Okay, alright thanks a lot I will come back if I have further questions.

Moderator Thank you Mr. Choudhary. Our next question is from the line of Ruchit Mehta of HSBC Asset Management, please go ahead.

Ruchit Mehta Sir, some of the broadcasters seem to have been discussing all the potential of going into fixed content fee, content cost for this DTH Company is that something that you are also looking into and how soon are we in terms of getting something into place?

Jawahar Goel I think there is a different model with the different pay broadcasters that has been worked out, but we have signed the NDA so we cannot reveal much of that.

Subhash Chandra But they are fixed revenue shares, fixed cost as well as variable cost contracts.

Ruchit Mehta Okay sir, effectively even if you simply knock off your pay channel cost, we are doing roughly about Rs.55 to 60 of gross margin per subscriber, do you think this will improve going forward or is this a good number of steady state?

Rajeev Dalmia We are expecting this to be Rs.75 to Rs.80 per subscriber.

- Ruchit Mehta** And this will be driven probably for increasing ARPUs going forward?
- Jawahar Goel** Yeah increasing ARPU and concentrating more on the higher packages.
- Ruchit Mehta** Okay thanks.
- Moderator** Thank you Mr. Mehta. Our next question is from the line of Hiren Dassani of Goldman Sachs Asset Management, please go ahead.
- Hiren Dassani** Yeah, I had couple of questions on the ARPU side, firstly we have seen in the last year a huge ramp up in the subscriber base and obviously coming out with lower price packages, etc., so how do you see the ARPU movement going forward, now that you know we have achieved a critical mass of subscribers?
- Jawahar Goel** We have been acquiring subscribers this financial year, whereby we were subsidizing the hardware as well as the content. However, we are not subsidizing content on those subscribers acquired from November. So, the ARPU will go up to Rs.170-172 by the close of this financial year.
- Hiren Dassani** And can you give some sense of what is the ARPU of renewal customers like when people come for renewals, what kind of average ARPUs are there on the renewal side?
- Rajeev Dalmia** It is in the range of Rs.190.
- Hiren Dassani** In the range of Rs.190, I mean what kind of ARPU increase one should look at over the next let us say, I mean 3-4 years kind of that period?
- Jawahar Goel** Well, there may be multiple reasons that might be there, the launch of new channels that is also one of the reasons; another is how the competition does it.
- Subhash Chandra** It is difficult to predict for the next 3-4 years, but as it has happened say in the case of the American market and how that trended, we are confident that ARPUs will pick up in the Indian direct to home markets as well over a period of time.
- Hiren Dassani** Sure and one question on churn side, effective churn I think was reported about 7% for FY09, have you seen any different churn figures for metros

where the competition is probably more intense vis-à-vis in the areas where you are probably the only dominant player?

- Jawahar Goel** That is something we have taken stock of internally though cannot share as it is competitive information.
- Hiren Dassani** Okay thanks I will come back if there is any question.
- Subhash Chandra** Thank you.
- Moderator** Thank you Mr. Dassani. Our next question is from the line of Ritesh Poladia of Dolat Capital, please go ahead.
- Ritesh Poladia** Good afternoon sir, sir my question pertains to standalone and consolidated results. Our revenue is almost same but the composition of expenditure is quite different, for example commission on standalone is Rs.112 Crores but consolidate is 2.1 Crores, so could you comment on that so, is that inter-corporate commission expense entry?
- Rajeev Dalmia** No, no there is nothing inter-corporate, this distribution cost you are saying?
- Ritesh Poladia** I am referring to commission expense, which is given in selling & distribution expense?
- Rajeev Dalmia** Yeah these are given to distributor, dealer, installer, and maybe service franchises.
- Subhash Chandra** But his question is that how can it be higher number in standalone and lower number in the consolidated, is that your question?
- Ritesh Poladia** Yes sir. But again if we see other selling, it is just 48 Crore in standalone, but in console it is 124 Crore, so is this a problem of classification or something?
- Rajeev Dalmia** Yeah it is regrouping at the time of consolidation, if we add the total figure it will match.
- Ritesh Poladia** Yeah it is almost the same, I was just referring to that, yeah that is all from my side thank you sir.

Jawahar Goel Thank you Mr. Poladia. Our next question is from the line of Amit Purohit of Motilal Oswal Securities Limited, please go ahead.

Amit Purohit Yeah good afternoon sir, thank you for the opportunity, sir two things. One is I wanted the breakup of debt basically, last quarter you said associates were 325, what could be this quarter on 800 Crores debt?

Subhash Chandra You mean the related party or?

Amit Purohit Yeah related party, one is the debt, last quarter you gave 410 and 325 totaling 735, so I just wanted in this quarter, what would be the breakup on 800 Crore?

Rajeev Dalmia See, related party debt is around 245 Crores and the banking debt is around 800 Crores.

Amit Purohit Banking debt is 800 Crores?

Rajeev Dalmia Yeah.

Amit Purohit Okay, so total debt on the book?

Rajeev Dalmia Yes it is 1040.

Amit Purohit Okay, and sir when are the dates as far as calls on the rights issue, I mean?

Subhash Chandra Today the board has approved calling for the second installment and this money from the promoter group subscription of 405 Crores has already been received as an advance towards the second installment of rights issue.

Amit Purohit Sure and last question is our plans on the second issue that we are looking at raising, any specific details you would like to share on that or is it-?

Subhash Chandra As you know that we are in the process of regulatory approvals, the FIPB approvals and lots of things are awaited.

Amit Purohit Okay, thanks a lot sir thank you.

Moderator Thank you Mr. Purohit. Our next question is from the line of Amit Kumar of Kotak Securities, please go ahead.

- Amit Kumar** Good afternoon sir, back again. Sir, I just wanted to understand a couple of things. One is what is happening with the Proto Star satellite on which we had got some transponders, any update on that?
- Jawahar Goel** We have not installed it and the tri-party agreement is pending with ISRO so, there is no immediate action on that front.
- Amit Kumar** Any expectation is it going to come online this year?
- Jawahar Goel** We will get to know in that couple of weeks.
- Amit Kumar** Okay fine sir thank you. On the other side, you have changed your pricing of your packages, so effectively it was about 3% to 10% kind of an increase, it happened sometime in December. But your ARPU again on a quarter-on-quarter basis seems to have come down again a little bit, so what is happening here, I just wanted to understand this part?
- Jawahar Goel** No- why would you say that the ARPU is coming down?
- Amit Kumar** Sir, based on my calculations on your subscription revenue to net paying subscriber base, it has come down to about 158 from 162 in the last quarter.
- Rajeev Dalmia** Amit, we have around 1.3 million subscribers, who are still on activation mode that means they were acquired say 6 months to 1 year ago and they are yet to come up for renewals. And as you are aware, earlier we were subsidizing the content cost also, so the compressed ARPU for those kinds of customers is ranging from Rs.70 to Rs.85. All these subsidies to these customers will be over between the month of September or October, then this ARPU problem will be say minimized and our renewal ARPU will be as good as our average monthly ARPU.
- Amit Kumar** Sir, but you know you had the schemes for a fairly long period of time in the past, so you know during the quarter I would assume the people that you would have added in let us say you know 4th quarter of FY08 or first quarter of FY09, they would also be getting off those schemes right, so that would be compensated by you know whatever additions that have happened in the meanwhile and obviously, the schemes that you are talking about they were discontinued after the festive season, so after that, I mean what

I am saying is for FY09, at least for the last 3 to 4 months, you are not subsidizing that cost part right.

Jawahar Geol Firstly we cannot compare this thing with FY08, reason being that in that year we had acquired only a million subscribers and the year which we are discussing, we had acquired 2 million subscribers. So, the compensation which you are suggesting cannot happen. Another thing is that this is the year where the biggest competitors have launched their service, so that time our content was also aggressively subsidized.

Amit Kumar Okay and sir, on one of the previous points, your cost of good sold seems to have also declined quite on a quarter-on-quarter basis almost by 12%, what was the rationale behind that?

Rajeev Dalmia No, we are only selling our product in the North Indian state of Uttar Pradesh because there were some problems with taxes such as VAT. The government there was not allowing us to sell on a right to use basis, but that problem is now resolved. So, that is why there is nothing like cost of goods sold, which was there earlier maybe for 2 quarters.

Amit Kumar So sorry, I am saying cost of goods and services, the main line item which you have?

Rajeev Dalmia Yes, Are you referring to the programming cost or the other cost of goods and services?

Amit Kumar I am actually referring to both of them, yeah I mean in combination they seem to have you know declined a fair bit, so I just wanted to understand, I think you mentioned that but I missed it.

Subhash Chandra Yeah we are doing a lot of rationalization on the buying of the programming and the payment to the broadcasters, as well as the different packages are being launched which reduces the cost of programming or cost of goods per vis-à-vis the subscription revenue.

Amit Kumar Okay and finally sir, you just gave your you know gross debt figures of 1000 Crores up from about 750 odd Crores last quarter. I am a bit surprised, you know because I am assuming that you know the rights, so the first launch is the right issue money about 300 Crores that would have come in and this increase in debt essentially means total cash inflow through financing about

550 Crores, but you know given your SAC of only about Rs.2500-2600 total CAPEX requirement would have only been about maybe 100 or maybe 125 odd Crores. So, exactly what is that extra cash being used for?

Subhash Chandra There are lot of materials and boxes in the pipeline about it but it will come down this quarter because of the rights issue is being subscribed in this quarter.

Amit Kumar So, what you are suggesting basically is that this is being used in working capital?

Subhash Chandra Yes.

Amit Kumar Okay fine, yeah thank you so much sir.

Subhash Chandra Thank you.

Moderator Thank you Mr. Kumar. Our next question is from the line of Vikas Mantri of ICICI securities, please go ahead.

Vikas Mantri Yeah, good afternoon sir, sir just on the programming cost, we have 23% decline quarter-on-quarter, but if I were to see the results of one of the broadcasters, Zee Entertainment had a 24% growth in DTH revenues, so how is it possible that the broadcasters are showing a significant growth in DTH revenue collection, where as you are seeing you dip on quarter-on-quarter in absolute terms in your programming cost?

Jawahar Goel Mr. Mantri you are talking about the 6 DTH operators and at least 5-6 pay broadcaster, so there is a matrix of at least 5 top to bottom and left to right, so this is a business case, which has Dish TV reached a matured business stage. We had at a point in time earlier our content costs as high as even 120% of the subscription revenue, which we had collected. So, when you keep maturing, your negotiation skills improve. Also we have been able to pass on our service tax component to the subscribers. So, these are a mix of many things, which you are seeing here.

Vikas Mantri But are we confident of maintaining this? We have moved down to 40% sales as a programming cost, can we be on this level as going forward also?

Jawahar Goel I think we have contracts for 3 to 4 years, so we are pretty sure that we will further improve on that as we increase the number of subscribers.

- Vikas Mantri** Okay that is very nice sir, thank you sir.
- Jawahar Goel** Thank you Mr. Mantri.
- Moderator** Thank you Mr. Mantri. Our next question is from the line of Himan Bhimani of Eight Capital, please go ahead.
- Himan Bhimani** Good evening sir congratulations on positive EBITDA. Sir, my question pertains to the right issue, as we had subscribed, we had come out with an issue of around 51.8 Crore shares, can you just let us know what was the contribution of promoters, was it underwritten and off the complete rights issue, how much was the promoter contribution?
- Subhash Chandra** Yeah, so about 90% has been subscribed by the promoters and today the board has approved the calling of the second installment, so we have paid 405 Crores as advance to the company.
- Himan Bhimani** These 405 Crores would amount to 90% of the total payment due right?
- Rajeev Dalmia** It will be more, rather it will be around 93%, 94%.
- Himan Bhimani** Okay, thank you sir.
- Moderator** Thank you Mr. Bhimani. Our next question is from the line of Hiren Dassani of Goldman Sachs Asset Management, please go ahead.
- Hiren Dassani** The subscriber acquisition cost has come down from 2800 in last quarter to 2500, just want to understand how it has come down; I mean what are the key reasons and what is the trend you are looking at going forward?
- Rajeev Dalmia** There was some economy in the selling and distribution cost on account of per new subscriber added and marketing cost was also contained in the last quarter. The third quarter being the festival season, the marketing expenses were slightly higher than the annual average, but in January, February, and March we brought marketing costs under control. So, these two factors were there, plus rupee also started stabilizing around say 48-49, which helped us in reducing of the cost of imported goods.
- Hiren Dassani** And if my understanding is correct earlier this figure was calculated as subsidy on box, commission to trade partners and 80% of the advertising spend right?

- Jawahar Goel** Right another area of cost control has been the curtailing of the dealer margins, because these are now dealers for all of the DTH operators and with the market having expanded, they have grown in business and hence more flexible on margins.
- Hiren Dassani** Okay, but if you just calculate back the commission per sub, like you have reported commission expenditure of about 19.5 Crore in the quarter and the gross subscriber addition for the quarter is about 0.35 million, so that works out to be like Rs.550, Rs.560?
- Rajeev Dalimia** Yeah there were some past schemes also which were settled during this quarter, but that was one off expenses for this particular quarter.
- Hiren Dassani** Okay, so then ongoing basis this is what about 450 or so?
- Rajeev Dalmia** It will be in the region of 350 to 375.
- Hiren Dassani** Okay thanks a lot.
- Moderator** Thank you Mr. Dassani. Our next question is from the line of Nitin Mohta of Macquarie, please go ahead.
- Nitin Mohta** Thank you. Yeah just wanted to ask few questions, one is regarding the content cost as a percentage of revenues, if you could just explain to us what sectors would be there that earlier you had guided below 40% or in the range of 40% of revenues by FY10, so just wanted your thoughts in terms of how exactly you plan to achieve that and my second question was more with regards to subscription ARPU number, if you can just give the number comparable to Rs.137 ARPU that you had in 3Q, what is the number for 4th quarter thank you?
- Rajeev Dalmia** Yeah in the 4th quarter also it was 136 ARPU.
- Subhash Chandra** The content cost is in line with our guidance, now we have already reached 40% that is the guidance we gave.
- Nitin Mohta** Sure sir, I just wanted to know what exactly are the levers that you think are going to make it sustainable. I do understand that you have starting from November, higher cost channels have been made A-la-Carte, so is that the only factor or are there other reasons as well, which you see would make this remain at this level?

Jawahar Goel When we add a new channel, we think that we should be retaining at least 65% with us because there is a cost of collection, the license fees, etc., So, any new pay channel comes, we apply that formula, and ensure that 2/3rd comes to us and 1/3rd goes to the channel. Now it is very difficult to say which of the free-to-air channels will become pay channels, but the industry norms of 40%-45% is applicable on those markets where all the channels are pay channels. In India we only have 40% or so channels that are pay channels. So, this is life and it is going to be as it is for couple of more years. Some channels will remain free-to-air or pay, but resultant is the major pay channel we had given guidance to you.

Nitin Mohta Okay thank you.

Moderator Thank you Mr. Mohta. Our next question is from the line of Ruchit Mehta of HSBC Asset Management, please go ahead.

Ruchit Mehta Yeah sir just on the ARPU, you said your incremental ARPUs are coming in at about Rs.180-Rs.190?

Jawahar Goel Yes

Ruchit Mehta And once all these customers go, those who are on a free scheme, once they go out of it, what will be the blended average that you are looking for in the fiscal 10 itself, end of fiscal 10?

Rajeev Dalmia It should be around 172 to 175.

Ruchit Mehta Okay and this you include the rentals as well as part of this?

Rajeev Dalmia No, no it is only the subscription revenue.

Ruchit Mehta Okay thanks.

Moderator Thank you Mr. Mehta. Our next question is from the line of Ankit Kedia of Centrum Broking, please go ahead.

Ankit Kedia Sir, I just wanted to know in which part of the country are we seeing more traction in subscriber additions is it Tier-1, Tier-2 cities or is it more interlinked for us as well as for the industry.

- Jawahar Goel** Actually, in the previous year we use to track in the four zone East, South, West, North and we were almost equal 25-25% in each of these four zones and but now we have changed the focus, I would say that the North is around 1/4th, East is around 18%, West has grown up to 35%, and South remains as 22% that is the case with Dish TV. For other operators like Sun, they are mostly doing in South for state and metro and non-metro, it is very difficult to track because we are giving service based on the packages; the packages are like silver, gold, and platinum etc. We count the subscribers on that basis.
- Ankit Kedia** Okay, thank you sir.
- Moderator** Thank you Mr. Kedia. Our next question is from the line of Amit Kumar of Kotak Securities, please go ahead.
- Amit Kumar** Sir just a follow up on something that another person asked. I understand that in the 3rd Quarter you had taken off some channels and put them in ad-on packages, I have noticed recently that in your base package Rs.113 package you have added some of the Star Channels, I mean in the next quarter, or maybe a quarter or two, will that have an impact on your content cost?
- Jawahar Goel** The content cost impact is only the combination of what we are reporting today. But for the customer delight we had added those channels because we had a fixed rate deal with Star and this will not have any impact on our revenues, we will get the revenue but not on the cost.
- Amit Kumar** Right now your content cost is about 50% of your revenues, what are you targeting for FY010?
- Subhash Chandra** Our current cost is 40%.
- Rajeev Dalmia** 40% of the subscription revenue.
- Amit Kumar** Okay, right and what are you targeting for FY010?
- Rajeev Dalmia** It will be around this level for the next six months.
- Amit Kumar** Okay fine sir, thank you.

- Moderator** Thank you Mr. Kumar. Our next question is from the line of Arvind Venugopal of the Screen Digest, please go ahead.
- Arvind Venugopal** Hi, thanks for taking my question, you mentioned that your subscriber acquisition cost is about Rs.2500 to Rs.2600, would you able to break that down in terms of what the cost for advertising are and what your content subsidies of per subscriber are?
- Subhash Chandra** Yeah I think we have given enough break up what we could do without breaching the line of competitive information, so you should please take Rs.2600 of which there is an advertising cost we have given at Rs.400, we will not be able to go beyond this breakup.
- Arvind Venugopal** Alright thanks and the second bit is, you mentioned that on an all India level you are seeing about 700,000 to 800,000 subscribers per month in a lean period and about 1 million subscribers per month in a peak time, would you able to split that out between say rural and urban areas?
- Subhash Chandra** It is more or less equally distributed across the country.
- Arvind Venugopal** I see, so do you see any added subscribers coming from rural areas or do you plan on concentrating more on rural rather than urban?
- Subhash Chandra** No, nothing like that, in fact we are little bit weaker in the metro cities, so we are trying to strengthen ourselves in metro cities going forward.
- Arvind Venugopal** Okay thanks a lot.
- Moderator** Thank you Mr. Venugopal. Our next question is from the line of Prashant Kothari of ICICI Prudential, please go ahead.
- Prashant Kothari** Sir, just on looking at your interest cost, basically to understand your interest cost has come down from Q3 to Q4, well I believe that debt has actually gone up, can you just explain that?
- Rajeev Dalmia** Majority of the debt is foreign currency loan and we also did a Swap deal with the lender, so that is why the average cost of debt has come down in the 4th Quarter.
- Prashant Kothari** So, how much is the average rate of interest we are paying now?

Rajeev Dalmia If you add the foreign currency loan, it will be around say 10.5%.

Prashant Kothari And is there any interest we are paying to the loan we have taken from group companies?

Rajeev Dalmia Yeah we are paying around 11-11.5%.

Prashant Kothari Okay, so if I were to take 1000 Crores of debt and put about 11% rate of interest, it should be 110 Crores of annual interest, so it should be about 26 Crores of quarterly interest, but what I am seeing here is about 19 Crores.

Rajeev Dalmia But there were some interest income also because this is the net figure 19.23 Crore.

Subhash Chandra While we deploy all the money the intervening period we deploy the extra cash in the treasury function and we earn the interest.

Prashant Kothari Okay, okay sir thank you.

Moderator Thank you Mr. Kothari. We have question from the line of Mr. Ruchit Mehta of HSBC Asset Management, please go ahead.

Ruchit Mehta Yeah sir, can you give us bit more details on your balance sheet in terms of what's the gross block and net block at the end of the year and your net current assets?

Rajeev Dalmia Gross block was around 1350 Crores and net block was around 850 crores and net current asset is negative.

Ruchit Mehta How much?

Rajeev Dalmia That I cannot comment right now, but we are getting negative net current assets because of subsidy on set top box.

Ruchit Mehta And just sort of the gross block, how much would be the customer premises equipment?

Rajeev Dalmia It is around 85%.

Ruchit Mehta Okay thank you.

Moderator Thank you Mr. Mehta. Our next question is from the line of Siddhant Khandekar of Sunidhi Securities, please go ahead.

Siddhant Khandekar Yeah actually I missed on this exchange difference of 15 Crores, was there any netted off against the cost of goods and service?

Rajeev Dalmia No, it was netted off in the asset side.

Siddhant Khandekar Okay thanks sir.

Moderator Thank you Mr. Khandekar. Our next question is from the line of Rohit Dokania of B&K Securities, please go ahead.

Rohit Dokania Hi sir good afternoon, just wanted to know regarding the license fee, it was supposed to come down to 6% from 10%, any updates on that or has it already happened?

Jawahar Goel Well, the matter is still pending in the cabinet; the new cabinet is going to take it again.

Rohit Dokania So, if it happens, you know it happens on FY09 or FY10 onwards, I mean?

Jawahar Goel That we are still trying but this year is definite but from last year we are debating it.

Rohit Dokania Okay and any specific budget expectations?

Jawahar Goel From the coming budget?

Rohit Dokania Yes sir.

Jawahar Goel We do not know how the government feels about this category, I mean the whole broadcasting industry, so we are keeping our fingers crossed.

Rohit Dokania Okay sir thanks.

Moderator Thank you Mr. Dokania.

Moderator Thank you our next question is from the line of Himan Bhimani of Eight Capital, please go ahead.

- Himan Bhimani** Sir, coming onto what Rohit was mentioning, we are just screening it right now that I&B Minister is saying that probably there will be a core sector status for both DTH and cable. How did it affect our group companies as a whole both WWIL and DTH and Dish?
- Subhash Chandra** Well, if they take us as a core sector industry then naturally the import duty on the set top box should be virtually nil and then there might be a case for us to go to various place governments to get an entertainment tax kind of have abolished or reduce our margin lines.
- Himan Bhimani** Okay, sir if you can give a ballpark I understand it would be a pretty short notice for you, but in ballparks how much would it affect the operating margins of the company?
- Subhash Chandra** It is difficult to say.
- Jawahar Goel** Unless we get the budget and we analyze that we should not gamble here.
- Himan Bhimani** Okay thanks a lot sir.
- Subhash Chandra** That is where you to decide.
- Himan Bhimani** I understand. Thank you.
- Moderator** Thank you Mr. Bhimani. Our last question is from the line of Hiren Dassani of Goldman Sachs Asset Management, please go ahead.
- Hiren Dassani** Yeah, just in terms of programming and other cost which is declared at 82.4 Crores is that entirely content or there is something else also in particular?
- Rajeev Dalmia** No, it includes broadcasting expenses and other related expenses, it is not programming cost alone.
- Hiren Dassani** So, how much of that would be programming roughly?
- Rajeev Dalmia** We cannot disclose that number.
- Hiren Dassani** Okay thanks.
- Moderator** Thank you Mr. Dassani. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Harshdeep Chhabra for closing comments, please go ahead sir.

Harshdeep Chhabra Ladies and gentlemen thank you for joining us. We soon hope to have the transcript of the call on our website, www.dishtv.in. We look forward to speaking to you at the end of the 1st Quarter of fiscal 2010 or even earlier on a one-on-one basis. Thank you and have a great day.

Moderator Thank you Mr. Chhabra, thank you gentlemen of the Dish TV management. Ladies and gentlemen on behalf of Dish TV that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.