



DISH TV INDIA LIMITED

**2Q FY15 EARNINGS TELECONFERENCE
OCTOBER 29, 2014, 5.00 P.M. INDIA TIME**

Moderator: Ladies and gentlemen, good day and welcome to the Dish TV India Limited 2Q FY15 earnings conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tarun Nanda. Thank you and over to you sir.

Tarun Nanda: Good evening, ladies and gentlemen. Sincere apologies once again for rescheduling the conference call. Thank you for joining us today to discuss the results of Dish TV India Limited for the quarter ended September 30th 2014.

To discuss the results and performance, joining me today is Mr. Jawahar Goel – Managing Director, Dish TV India Limited along with the senior management team of the company including Mr. R. C. Venkatesh – CEO, Mr. Rajeev Dalmia – Chief Financial Officer and Mr. Salil Kapoor – COO. We will start with a brief statement from Mr. Jawahar Goel and will then open the discussion for questions and answers.

I would like to remind everybody that anything that we say during this call that refers to our outlook for the future is a forward-looking statement that must be taken in the context of the risks that we face.

Also before we proceed, may I request all media representatives who may have joined in to please disconnect immediately since this call has been organized for our investors and analysts only. I would now request Mr. Jawahar Goel to address the participants.

Jawahar Goel:

Thank you, Tarun. Good afternoon, ladies and gentlemen and thank you for joining us today.

Dish TV maintained its leadership position during the second quarter of fiscal 2015.

The company added 378,000 NET subscribers taking the total net subscriber base at the end of the period to 12.1 million. HD box sales gained traction and were around 15% of gross additions.

ARPU for the second quarter increased to Rs. 172 from Rs. 170 in the previous quarter. Despite significantly higher activations, churn continued to be at a healthy 0.7% per month.

Subscription revenues for the quarter were Rs. 6,168 million, up 12.2% Y-o-Y while the total operating revenues stood at Rs. 6,723 million, up 11.9% on a Y-o-Y basis. EBITDA for the quarter was Rs. 1,623 million, up 4.4% on a year-on-year basis. EBITDA margin stood at 24.1%. Free Cash Flow generated during the quarter was Rs.110 million.

With multiple taxation continuing to remain as one of the biggest challenge for the Indian DTH industry, we look forward to an early enactment of the Goods and Services Tax and remain optimistic about cost savings and margin expansion resulting from it.

Further, in view of the Prime Minister's 'Make in India' campaign, we are re-evaluating possibilities for domestic manufacturing of Set-Top-Boxes and are hopeful of improvement in the hardware economics of boxes sourced from India, going forward.

Though digitization has been pushed back, for early movers like Dish TV, it's an opportunity to reach out uninterrupted to the masses in Phase 3 & 4 and capture leading market share there. Our newly introduced sports driven packaging coupled with the strength of the 'Zing' brand will go a long way in helping us achieve that.

With this, I would like to open the floor for the question and answer session.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Amit Kumar of Espirito Santo. Please go ahead.

Amit Kumar: Can you please begin with by providing revenue breakup for this quarter?

Rajeev Dalmia: Revenue breakup is as follows; subscription revenue was Rs. 617 crores, lease rental 19, bandwidth 18, advertisement 10, others 2. So total is Rs. 672 crores.

Amit Kumar: Got it sir. My second question pertains to programming and other costs seem to have declined on a QoQ basis while in this particular quarter, we had a renegotiation with both Zee and Star. Now as far as Star is concerned, we have Sports channel in our base packages so that does not seem to have impacted the line item at all, in fact down

4% on a QoQ basis. So could you please help me understand where these savings really come from?

R C Venkateish: There are two parts to that line item. One is the content cost which has been more or less flat or marginally higher. The kind of deals that we have with Star are structured in a way, especially with regard to sports, that the cost of those channels have not increased significantly from where they were earlier and in fact we are selling most of them as A La Carte and there is a revenue share in the new packs that we have introduced with sports like family sports etc. So net-to-net it is actually cash accretive to us in that particular deal. The other element is the middleware and other FOREX denominated charges in which we have had some benefit.

Amit Kumar: Alright. Sir we have seen a very sharp jump in selling and distribution expenses for the quarter, if you could just throw some light on that number?

R C Venkateish: Typically this happens in the second quarter of every year. It is pre-festive season we tend to do higher shipments to the trade and it is mostly booked in September, and the commissions are booked on shipments so they are taken up in advance and reflected in the September quarter. However, in the months of October and November because of the primary shipments being substantially lower, the same will get adjusted downwards and this is a phenomenon which happens pre-Diwali every year.

Jawahar Goel: See, the revenue will accrue when the boxes are activated in the coming months whereas our agreement with the trade is that, we give commission upfront. So as per auditor, we have to book the expenditure in the same period on shipments.

Amit Kumar: So that is actually the point which I am trying to make that your commission expenses are also higher on a QoQ basis, but it is the other selling and distribution expenditure. So how are you really booking it, is it some sort of incentive?

Rajeev Dalmia: There is some element of increase in the marketing expenses also by 5.5-6 crores and some business promotion due to the pre-festival quarter.

Amit Kumar: So you are not booking it as a commission, but as a business promotion cost.

Rajeev Dalmia: It is both, business promotion is like event management and some other activity at the local level and commission is directly paid to the dealer & distributor.

Moderator: Thank you. We will take next question from Sumeet Rohra of Silver Stallion. Please go ahead.

Sumeet Rohra: Sir I had few questions and one on selling and distribution has already been answered. So secondly how much of an ARPU increase we can see in this quarter because of the price hike which we have taken in August.

R C Venkateish: The bulk of the impact of that price rise on the ARPU will be felt in this quarter because while we instituted the price hike at the end of August because of the TRAI regulation the price effectively increases for the customer only when he comes up for recharge. About 20%-25% of the base actually during the course of the last quarter actually paid us on the higher price and that too for days varying from one day

to 40 days. So there will be a fairly significant improvement in ARPU in this quarter, I do not want to give a number.

Sumeet Rohra: Understand that sir. And also if I can just touch back on the last point which you were referring to selling and distribution expenses. If we actually adjust for that, the costs have gone up by nearly 40 crores. So otherwise is it safe to assume that Dish would have been in the black for nearly Rs. 15-20 crores. Once that happens, then is that possible that Dish TV can come back in the black in Q3 of this year?

Rajeev Dalmia: The increase is 23 crores, partly due to higher activation and partly due to festival pre-shipments.

R C Venkateish: That is about 7 or 8 crores of extra booking not more than that. .

Rajeev Dalmia: Near to be black.

R C Venkateish: Yes, pretty close.

Sumeet Rohra: And just one more quick question. Is there any update on the licensing issue? A Z Associate

R C Venkateish: We are going to represent to the government and at least the positive you can take back is there has been no negative pronouncement from the other side. We are continuing to work on them. We have made several representations and we will continue to intensify our efforts on that. Nothing negative has been notified, it is a sign that they are considering all the aspects including what we have placed before them.

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

Kunal Vora: First to start with on the customer addition, you are talking about 1.2-1.5 million customer addition for this year. On the back of the strong first half, do you see the same range or would you like to change that?

Rajeev Dalmia: I would like to say will be closer to the higher end of that range.

Kunal Vora: And any initial feelers about how you are looking at fiscal 2016?

R C Venkateish: We have got very strong momentum back on the topline and definitely looking forward because we have also put in place a strategy for DAS 3&4 markets ahead of its time and the sunset date has been pushed back. We expect to continue to see this level of momentum, if not slightly heightened momentum towards the second half of fiscal 2016 closer to the sunset date in DAS 3&4.

Kunal Vora: And last question on High Definition. What is driving the pickup of High Definition. Are there any changes in the way you are marketing the service and earlier you had mentioned, customer compulsorily had to take high definition packs if he bought a high definition box. Does that still hold?

R C Venkateish: We have made some changes. As you rightly pointed out, we have introduced that opportunity with flexibility of choosing one of three high definition packs along with any of the standard definition packs which means that at entry level, a customer can now come in and take the lowest price standard definition pack and the lowest price high definition pack for a customer price of Rs. 355. So it starts from Rs. 355 and goes up almost to Rs. 650. So that is one change which we have introduced and that has largely been driven by a substantial reduction in the cost of HD hardware and therefore we have been able to take a more aggressive stance on this. Secondly, we have added a

lot of HD channels today. We are best in class as far as HD service is concerned. We offer 36 True HD channels. Our nearest competition has only 27. So we have a clear 10 HD channels more than competition with full flexibility and thirdly, for long time because of the way our negotiations were being concluded with Star, we did not have the ESPN Star sports channel in our bundle which we now have from August. So that has also given us some traction. So all of these put together we have had very strong momentum. In fact our share on the HD market is close to about 23% currently as of the latest reading.

Moderator: Thank you. Our next question is from Bhautik Chauhan of Span Capital. Please go ahead.

Bhautik Chauhan: How much debt did you repay in this quarter and what would be the net debt figure?

Rajeev Dalmia: In the last six months, we have paid around 375 crores and the debt as on date is \$155 million and Rs. 435 crores Rupee loan totaling to around 1,375 crores of loan and the net debt is around 900.

Bhautik Chauhan: Sir, free cash flow has been decreased from 21 crores to 11 crores quarter-on-quarter. So do we see our borrowings should go up in coming quarters?

Rajeev Dalmia: This is largely due to the higher number of activations and particularly HD which is sucking slightly more cash than the standard definition. We do not feel that debt level will go beyond whatever it is today.

Bhautik Chauhan: What is the inventory of boxes that you have today?

Rajeev Dalmia: 0.8 million.

Bhautik Chauhan: And my last question, I just want to clarify how much price hike have you taken last quarter?

R C Venkateish: In the last quarter, it varied between 5% for the lowest pack to about 6%-7%. So on average around 6%.

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

Rajiv Sharma: Few questions I have. Firstly what has been your CAPEX in the first half and what is your CAPEX plan for the full year?

Rajeev Dalmia: The CAPEX will be around Rs. 575 crores for the full year because of the HD, otherwise it would have been Rs. 525 crores. And in the first 6 months, we have already done Rs. 275 crores plus.

Rajiv Sharma: And second question is on your content cost, how are you reading the disputes between the cable operators and the broadcasting companies and what is the read across for DTH sector and Dish TV?

R C Venkateish: It is still playing out. It is very early to say, but if this whole regime of A La Carte pricing is actually implemented in cable, it will be very positive for the industry because that would mean that the customer prices will go up in cable and that automatically gives us more elbow room to increase our prices. So we view it as a positive development.

Rajiv Sharma: And two more questions. One is Doordarshan DTH services; they are doing more around their basic pack. So will that hurt your gross addition in remote & smaller markets and even bigger markets at the low end of the segment?

R C Venkateish: The quality content which customer wants is not there. So typically we have seen with our product Zing, which we have launched in these smaller markets, almost about 40% of the customers who are coming into Zing are migrating from DD free DISH. So there is an inherent desire for better content quality.

Rajiv Sharma: And last question is on the delay in DAS. In my view, this helps cable companies much more than the DTH because they get time to repair their balance sheets. How do you read this? Do you think it is negative for you because it hurts the subscriber momentum, which has been missing for the last several quarters.

R C Venkateish: It is quite the opposite. They have lost momentum and while they are repairing the balance sheet, we are taking away the subscribers. So we view this as extremely positive.

Rajiv Sharma: Subscriber numbers, they have not significantly improved. If we see September last year, we had similar subscriber additions what we have this quarter.

R C Venkateish: For the whole of last year, we added 0.8 mn. subscribers at a net level. In the first two quarters of this year, we have added 0.71 mn.

Rajiv Sharma: And this increase is coming from which pockets, which segments, Phase-1, Phase-2, or Phase-3, Phase-4?

R C Venkateish: Conversion is being driven primarily in the non-digitized markets. In Phase-1 and 2, it is largely being driven by an upgrade from standard definition to high definition.

Rajiv Sharma: Large part of your growth will be from Phase-3, Phase-4 markets?

R C Venkateish: Yes.

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

Naval Seth: My first question is on loans and advances. Both short-term and long-term loans and advances has increased over March'14. So any specific reason for the same?

Rajeev Dalmia: It is very small and it is largely due to FOREX adjustment. Also because as on March'14, the exchange rate was 60.09. Today, it is 61.61 or so.

Naval Seth: My second question is on ARPU. As you said, only 20%-25% of subscriber base paid the higher prices post the package price increase. Despite of that, ARPU is 172 versus 170 last quarter and 15% of incremental addition coming from HD. So is that in Q3 we would see a significant jump in ARPU because of this?

R C Venkateish: Yes, you would see bulk of the impact of the price increase being reflected in the ARPU in 3rd quarter.

Moderator: Thank you. Our next question is from Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri: Just wanted to understand our packages, now we have classified certain channels as available free of charges, like CNBC Awaaz etc. So charges waived for your selected channels from the A La Carte channels.

R C Venkateish: Those are mostly the IndiaCast channels which are on request.

Vikash Mantri: Sir recently in the Star TV offer document, RIO document draft, they have actually put in a condition, where you cannot have an on request kind of an arrangement. How will you see that?

R C Venkateish: That is not legally tenable. It will not withstand legal scrutiny. We have a contract with Star, but irrespective of that such an assertion is not valid in law.

Vikash Mantri: Fair enough, just wanted that clarification. Another question is in terms of intensity of additions, how is the Phase-1 and Phase-2 markets doing now relative to last year or two quarters before?

R C Venkateish: Phase-1 and Phase-2, our focus is primarily to drive the upgrade from standard definition to high definition because these are fully digitized market. We are not looking at it as a standard catchment area for new subscriber. So our thrust is on pushing high definition in Phase-1 and Phase-2 markets. There was a fair amount of replacement market which is anyway coming up because in this industry about 10%-12% of the entire market is replacement market because of churn and that market has continued to provide us the same level of subscriptions that we were getting earlier. Big growth coming from the Phase-3 and Phase-4 areas.

Moderator: Thank you. Our next question is from Mayur Gathani of OHM Group. Please go ahead.

Mayur Gathani: Sir wanted to check on Zing Media and Cyquator, have they become operational or when they tend to start services there?

Rajeev Dalmia: They will start from 1st of April 2015. They are still exploring various options of procurement of set-top boxes and pricing, then lot of nitty-

gritties which is to be finalized. So most probably they will start operation in next year and Cyquator continues to provide the call center services unless it is fully outsourced to some vendor.

Mayur Gathani: So Zing Media would not be replacing where we pick up our set-top boxes, would they not be doing the same thing?

Rajeev Dalmia: May be not because that they are trying other options also to minimize the cost and maybe to supply other DTH operators also. So they are doing lot of deep diving rather than just going for the same supplier from where we were buying.

Mayur Gathani: And sir can you throw some light on Zing additions that we have had?

R C Venkatesh: Zing is now contributing to around 18%-20%

Mayur Gathani: And sir what is the subscriber acquisition cost for this quarter?

Rajeev Dalmia: Rs. 1,650.

Mayur Gathani: And HD, there is no subsidy right, if I understand correctly.

Rajeev Dalmia: There is a subsidy.

Moderator: Thank you. Our next question is from Srinivas Sheshadri of CIMB. Please go ahead.

Srinivas Sheshadri: The first question is on the gross additions for the current quarter. Can you just throw some light on what kind of a market share for the current quarter and secondly in the third quarter, are you expecting some kind of a festive uptake like what we used to see in the prior years earlier or do you think it has got a bit spread over this quarter and next quarter.

R C Venkateish: We have reported 378,000 net additions and 0.7% churn. As far as second question on the market share goes, we have leading incremental market share around 27% for this quarter. For the festive season, this Diwali was a fairly unique festive season in that no DTH company or operator resorted to any scheme or discounts or undercutting. So very healthy Diwali I would say for the industry. It did not get a sort of national spike, but numbers were up quite sharply in the month of October and that momentum seems to continue to sustain and this quarter should be much better. And following this quarter, the fourth quarter also you have the Cricket World Cup, so that momentum is likely to carry through till the end of the year.

Srinivas Sheshadri: Sure sir, that is helpful. Secondly on the set-top boxes, Dalmiaji, can you throw some light on what is the cost structure now for standard definition and high definition set-top box plus the other equipment?

Rajeev Dalmia: Let us discuss it offline because this is competitive information.

Srinivas Sheshadri: Sure and finally just one accounting data point. In the finance cost, what is the FOREX loss which would have factored into it?

Rajeev Dalmia: This time, there is no FOREX loss, but of course there is a provision for interest on unpaid portion of the license fee. So that is around Rs. 18 crores. Otherwise, it is all paid to borrowers for foreign exchange debt as well as rupee debt.

Srinivas Sheshadri: So this is a fairly normalized number. There is no one-off in this,

Rajeev Dalmia: Yes.

Moderator: Thank you. We will take next question from Alankar Garude of Edelweiss. Please go ahead.

Alankar Garude: Sir, congrats on good subscriber addition and leadership position in incremental share. Sir my first question is on the overall market dynamics and competitive intensity. You said this Diwali there was no schemes and if you see subscriber addition has picked up for most of the leaders, but on the other hand SAC has come down. So in that context, do you see this lower competitive intensity being a bit temporary or because growth has come back now for most of the players, you see largely it will be benign competitive intensity.

R C Venkateish: Yes, growth has come back also with the postponement of digitization. DTH will stand to benefit for the next several quarters. Competition will also be there, but I do not think anybody now is looking at being irrational because certainly if you look at balance sheet for most of the companies, they are not in a position to support much irrationality.

Alankar Garude: Sir one follow up on this. You said Zing is definitely helping 18%-20% incremental growth. Now you have more than 4 quarters of benign competition from MSOs because mandatory digitization is not there. So are you fairly confident that the step up in subscription growth, subscriber numbers will continue even beyond Q4. You said Q3, Q4 are going to be good, but how you are looking first half next year?

R C Venkateish: That is what I said because whole digitization deadline has been pushed to December 15 and then December 16. Currently there is a fair amount of loss of momentum in cable plus with all these disputes with the broadcasters in terms of the content availability, the entire ecosystem of the multisystem operators is in chaos. So this situation, is good for DTH.

Moderator: Thank you. Our next question is from Dipesh Mehta of SBI Cap Securities. Please go ahead.

Dipesh Mehta: Can you share Zing's incremental market share in the respective markets of all states that would be very helpful. Thank you.

R C Venkateish: Sorry, we would not be able to read that out one-on-one as it is a competitive information.

Moderator: Thank you. Our next question is from Neerav Dalal of SBI Cap Securities. Please go ahead.

Neerav Dalal: I just wanted to check what would be the HD share of the revenues in the net additions, if you could share something on that.

R C Venkateish: On HD revenue share versus our incremental share, you have to understand that even though our incremental share of additions in HD is contributing only about 15%-16% and the total base is still small. The revenue share of HD is around 12%.

Moderator: Thank you. Our next question is from Sumit Choudhary of Standard Chartered. Please go ahead.

Sumit Choudhary: Just one question. The free cash flow of 11 crores you have had for the quarter, I am just trying to reconcile it with net debt position because net debt seems to have increased quarter-on-quarter. So how do the two numbers reconcile?

Rajeev Dalmia: Net debt has gone up largely because of FOREX adjustment of around Rs. 1.40 paisa on \$170 million. Today, we stand at say 155. The average was \$170 million, but there is no increase in the debt.

Sumit Choudhary: So \$170 million, that 17 crores into Rs. 1.40 that explains like 30 to 40 crores of incremental net debt whereas your net debt seems to have gone up.

Rajeev Dalmia: No, I am talking of gross debt because in net debt, there will be many other factors. So let us talk gross debt only.

Sumit Choudhary: Yes, but when you say free cash flow of 11 crores, how do you define that free cash flow.

Rajeev Dalmia: Free cash flow the way we are following is the total receipt minus box price minus all the expenses plus adjustment of license fee and whatever remains there that is our free cash flow.

Sumit Choudhary: So it is pre-CAPEX.

Rajeev Dalmia: Pre-repayment of loan, but post-CAPEX.

Sumit Choudhary: And sir just secondly on the subscriber activation charges, I guess now that you recognize it upfront. It is shown as part of the subscription revenue, is that right?

Rajeev Dalmia: Yes.

Sumit Choudhary: So every time your gross adds actually picks up in a particular quarter that should be helpful for your ARPUs?

R C Venkateish: Yes, it will get reflected, but please note at the same time the lease rental line has gone off. We had reached the stage in our lease rental pool accumulation that the amount which was coming in as activation and amount coming in as lease rental are more or less same. So net-to-net on the gross revenue line, it will not make much of a difference

except the subscription revenue will be shown as higher and lease rental will be low.

Moderator: Thank you. Our next question is from Lalit Kumar of Nomura. Please go ahead.

Lalit Kumar: Sir my first question is related to Zing brand. So we have launched Zing brand in Telugu market, so if you can qualitatively mention how has been performance there?

R C Venkateish: We just launched it about a month and a half back. It is doing exceedingly well. The same basic promise of maximum Telugu channels and most of the Telugu channels, the base pack has worked well with the customers. So we have effectively more than doubled our monthly sale in Andhra Pradesh.

Lalit Kumar: In terms of market share, what will be our market share there?

R C Venkateish: It is difficult to get a market share. There is no published data, but what I am telling you is basically our sales have gone up more than 120% on a month-on-month basis.

Lalit Kumar: And sir my second question is related to set-top box. We are looking to get domestic manufacturing of set-top box which will reduce our price. So what kind of numbers or how much do you see the price of set-top box can come down for us because of domestic manufacturing?

Rajeev Dalmia: It is still in the exploration stage. So let us see, but there will be some economies in the set-top box. Even if it is \$1, it will be quite a lot on 2.5 million boxes.

Lalit Kumar: And that will of course reduce our SAC further.

Rajeev Dalmia: Yes and cash flow.

Moderator: Thank you. Our next question is from Neelesh Dhamnaskar of Religare Invesco. Please go ahead.

Neelesh

Dhamnaskar: My question pertains to your activation revenues. So could you give us a sense of what is the portion of activation revenue which is there in your current total revenues?

Rajeev Dalmia: We never disclose that. Let us keep it away because there are so many things in activation revenue which get passed on and it is a huge audit item also. If I give one figure for one quarter, it may not reflect the same in the second quarter based on the number of activation. So let this figure be remain with us only.

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

Kunal Vora: Earlier you were talking about removing the subsidies completely let us say over a period of 1 or 2 years, does that view still hold or do you think subsidies will have to continue and subscriber acquisition cost will remain close to current levels. Any guidance on that?

Rajeev Dalmia: Already it is Rs. 1,650. It used to be 1,850-1,900, but complete removal is a very competitive process because we cannot act in isolation. Others also need to come down or maybe increase their offering which is still not there, because the activation mode is still going on in the industry.

Kunal Vora: But once that concludes, would Dish TV take leadership and then trying to remove the subsidies?

R C Venkateish: We did try. Last year in fact for long period of time, we ran at a premium over the market. However, some of our competitors are still in acquisition mode. But we are in a very comfortable situation right now, we manage the entire CAPEX needs through our own internally generated cash flows and this is only going to get better quarter-on-quarter. So quite soon we should be able to take stronger start on that plus the costs of the hardware are being negotiated down as well as things like local manufacturer will help to drive it down further.

Moderator: Thank you. Our next question is a follow up from Alankar Garude of Edelweiss. Please go ahead.

Alankar Garude: Sir on the advertising spend, this quarter is a mark step-up. So was it because Diwali this time was 10 days earlier or because now we are getting more subscribers we would like to put that much money back into the system so that brand equity also improves.

R C Venkateish: Yes, there was also Durga Pooja in September, Dussehra and all of those things. So typically during the festive season, it tends to work up a bit. Otherwise, there has not been any change in our strategy.

Alankar Garude: Sir on the current fight between MSOs and the leading broadcasters, you reserved your comments, but Dish TV is one of the pioneers in this. So could you give us some update on where that issue is currently and what has been the learning for the current broadcasters from that, so if you could elaborate that part.

Jawahar Goel: We just had friendship with them why do you want us to become enemies.

Alankar Garude: Sir you can give us more learnings.

Jawahar Goel: New principles are firming up so it will be better for the DTH category.

Alankar Garude: Sir one more question was on the Sri Lanka business, any update that would like to share.

R C Venkateish: In Sri Lanka, they are preponing the general election in the country. So some delays are there.

Alankar Garude: And on HD, our incremental numbers from HD from our own business that has been improving. Where do you see that stabilizing because some of the other players are claiming even higher share of their subscribers coming from HD. We are 15% currently this quarter, but what is the target and where do you see this industry stabilizing as more and more channels keep happening.

R C Venkateish: I think around 25% is where we would expect that it will stabilize. That is what we look for even if we look at some of the more developed markets. Because in India, you must realize that it is a pyramid shaped structure. So there will obviously be people at the lower ends of the pyramid. I would expect this to get up to 25%, then you will have things like UHD etc.

Alankar Garude: Sir my last question is to Jawaharji. Digitalization was delayed because the new government wants “Make in India” and so if you see in terms of set-top boxes in spite of customs duty, etc., things have not taken off. In the past, you have said quality and cost dynamics in

terms of domestic production are still not favorable. So now with just 14 months left for the deadline, do you think we have enough time for the domestic production to scale up in terms of quality and core dynamics?

Jawahar Goel: No, we have some different model in mind. So we are still not in position to discuss and take approval from the board. The work is in progress, but I think the quality issue can be addressed when we tell the existing manufacturers to come and produce in our plant. So this is the model which we are thinking of.

Alankar Garude: Sir my question was not specific only to Dish TV, can the deadline gets shifted because you might be prepared but other players are not prepared. So in that context, government might say listen, this 'Make in India' is not happening in set-top boxes. So is there a very high probability that with just 14 months being there, the deadline can get shifted again?

Jawahar Goel: We are not respondents to the digitalization process. It is only the cable companies and broadcasters as they want to get rid of the carriage fee. We are only beneficiaries of digitalization.

Moderator: Thank you. Our next question is from Amit Kumar of Espirito Santo. Please go ahead.

Amit Kumar: I am trying to understand from an industry perspective as to what is giving this kind of a tailwind to subscriber additions without promotions, , I mean even with other players have not really seen very significant advertising in the last 6 months. So what is really changing in the market?

R C Venkateish: The MSO was adding a lot of subscribers last year. MSO is in hibernation right now. You can see the additions of the entire MSO ecosystem over the last two quarters, then compare it with the additions last year. So all those subscribers are coming to DTH.

Moderator: Thank you. We will take our last question now from Rajiv Sharma of HSBC. Please go ahead.

Rajiv Sharma: Just quick questions. Sir, what is the positive possible impact if GST is implemented?

R C Venkateish: Depending on the rates at which it is eventually settled, I mean the talk is around 16%, that will be certainly around 400 basis point EBITDA margin improvement for us, but it might be higher also. We do not know.

Rajeev Dalmia: There will be a savings on account of other expenses also like we have offices in all these states. We have our own logistics system from our office in that state to district. Most of these things can be outsourced when we have GST. Today we have multiple duty systems, entertainment tax and service tax and import duty. We have three-four points of cash flow. Then we will have only one point of cash flow. So we can plan the cash flow and act accordingly.

Rajiv Sharma: And my second question was on the TRAI suggested reduction in license fee. What I am trying to know is that when do you see a final decision being taken on this issue two quarters or 6 quarters from now?

Rajeev Dalmia: Actually it is in Supreme Court and now it has been referred back to TDSAT, but we feel it will be catching up soon.

Rajiv Sharma: And the last one, how do you account for your HD boxes. So if I am a Dish TV subscriber and upgrade to HD from SD, is it a new addition or is it the subscriber base remains the same.

R C Venkateish: It is the same subscriber you have upgraded as a HD subscriber because you use the same viewing card that you are using for SD.

Moderator: Thank you very much. I would now like to hand the floor back to Mr. Tarun Nanda for closing comments. Over to you sir.

Tarun Nanda: Thank you once again for joining us ladies and gentlemen. We soon hope to have the transcript of this call updated on our website www.dishtv.in. We look forward to speak you again at the end of the third quarter of fiscal 2015 or even earlier on a one-on-one basis. Thank you and have a great day.

This transcript has been suitably edited for ease of reading.