

Dish TV India Limited  
First Quarter Ended June 30, 2008, Earnings Conference Call- Financial Year 2009  
July 29, 2008

- Moderator:** Good afternoon Ladies and Gentlemen. I am Sandhya, the moderator for this conference. Welcome to the Dish TV 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. Harsh Deep Chhabra, Senior Manager, Investor Relations. Thank you and over to you sir.
- Mr. Harsh Chhabra:** Good afternoon Ladies and Gentlemen and thank you for joining us today to discuss the results of the first quarter-ended June 30, 2008. We do hope that you had a chance to go through the earnings release and the copy of the results, which are uploaded on our website [www.dishtvindia.in](http://www.dishtvindia.in). To discuss the results and the performance, joining me today from our conference room in Mumbai is Mr. Subhash Chandra, Chairman, and members of the senior management of Dish TV including Mr. Jawahar Goel, Managing Director; Mr. Vinay Agarwal, CEO; and Mr. Rajiv Dalmia, CFO. We will start with a brief statement from Mr. Jawahar Goel on the first quarter performance and the audited annual results and then we will open up the discussions for questions and answers. I would like to remind everyone that anything we say during this call refers to our outlook for the future is a forward-looking statement that must be taken in context of the risks that we face. With this, I now hand over to Mr. Jawahar Goel, Managing Director of Dish TV India Limited.
- Mr. Jawahar Goel:** Thank you Harsh. I would like to welcome everybody to this call Ladies and Gentlemen. We appreciate your joining us for the quarter report of financial year 2009. Dish TV finished the first quarter with a rise of 21% in standalone revenues to Rs 1646 million as compared to the quarter four of FY08. This quarter we reconsolidated our efforts in capturing more market share and we continued being a market leader. The strength arises not just from the number of subscribers but also through Dish TV's commitment for providing wholesome entertainment to its subscribers. We have set a new benchmark in the DTH category by launching the box free offer. We have added 401,000 subscribers in this quarter and therefore the total number of subscribers stands in excess of 3.4 million as of June 30, 2008. ARPU and margins are continuously improving, and we will continue to show robust growth in future quarters also. We have been a dominant player with a pan-India presence. We have the highest number of the channels in the industry with total number of 205 channels. On the expense side, as you know, the major differentiator in customer-centric industry is brand building and services. Hence, we invested aggressively

to improve our brand and customer service systems in this quarter. Due to such huge investments, we have incurred an operating loss of 665 million in the current quarter which is 13% more as compared to previous quarter, which carries a loss of rupees 587 million. Going forward, the company will continue to focus on subscriber growth and revenue growth by improving, enhancing the content and including usage of value added services, thereby improving the ARPUs. Apart from this, Q1 2009 has also seen tremendous enhancement in the infrastructure and services by DISH TV. We have at present a dealer universe of 38,000 outlets catering to the customers across 5300 towns. There are over 10,000 service personnel in the market delivering installations and service support to the Dish TV subscribers. The service organizations are also supported by 1000 call center agents speaking 11 different languages from 7 different locations. Moreover, there are service centers across the country, all in one effort to reach the customer in the shortest possible time if the need arises. Dish TV continues to be the platform with the widest content packaged in most consumer-friendly, customizing the packages which continues to be one of our biggest strength and product differentiator. We are confident that with this coming of the newer competition, Dish TV is all prepared to optimize the opportunity that lies ahead and take the majority share of the emerging markets. We look forward from the next year with optimism and assure you that we will continue to deliver more value to the various stakeholders and our viewers. With this, I would now like to hand over to Harsh for opening of the floor for Q&A.

- Mr. Harsh Chhabra:** Thank you, sir. Ladies and Gentlemen, we are now ready for your questions, but before that I would like to request all participants to please limit themselves to two questions so that we can get as many people on as possible.
- Moderator:** Thank you very much sir. We will now begin the Q&A interactive session for the participants. Participants who wish to ask questions, please press \*1 on your telephone keypad. On pressing \*1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press \*1 now. First question comes from Mr. Jamil Ansari of Lehman Brothers, over to you sir.
- Mr. Jamil Ansari:** Yeah, hi, good afternoon everyone. Sir, just wanted to check, you have mentioned that bandwidth charges are emerging as a revenue stream from this quarter onwards. How much it was in this quarter, can you share?
- Mr. Subhash Chandra:** We are not giving these kind of details because this is competitive, confidential information.
- Mr. Jamil Ansari:** Right, sir, okay. Secondly sir, what is the cost of major bouquets, I mean, how much are we paying to Zee, Sony, and stuff.

Mr. Subhash Chandra: Well, our content cost in this quarter is 56%.

Mr. Jamil Ansari: Okay, no, I mean. how much are we paying to Zee?

Mr. Subhash Chandra: No, gentleman. We have a nondisclosure agreement.

Mr. Jamil Ansari: Okay, fine, not an issue, sir. Yeah, okay, fine. Thanks.

Mr. Subhash Chandra: Thank you.

Moderator: Thank you very much. Next question comes from Mr. Ruchit Mehta from HSBC, over to you sir.

Mr. Ruchit Mehta: Hi, good afternoon. Just on the content cost, you have mentioned it is 56%, what will be it in actual rupee terms. I mean out of the 136.6 crores of operating cost, how much would be content cost?

Mr. Subhash Chandra: See, we are telling you 56% is our content cost and rest are other costs, what is your question, Ruchit?

Mr. Ruchit Mehta: Sir, you mentioned that 56% is content cost, but this will be a percentage of the DTH subscription revenue. So are we saying that in out of the 136 crores of operating cost that we have disclosed, out of that the absolute content cost would be how much?

Mr. Subhash Chandra: Rajiv, can you answer this?

Mr. Rajiv Dalmia: Yes, sir, it is around 84 crores.

Mr. Ruchit Mehta: On the subscription front, we have been having that free set-top box offer but it was supposed to be for a limited period offer. Are we still continuing with that same offer?

Male Speaker: Yeah, we are continuing with this so far.

Mr. Ruchit Mehta: Okay, and your subsidy cost remains the same about 2600 odd rupees that you had mentioned last time?

Mr. Subhash Chandra: That's correct.

Mr. Ruchit Mehta: Okay, great! And just finally sir, if I can just know what was the total debt on the books including from promoter entities as well as our group of companies and outside?

Mr. Rajiv Dalmia: It is 525 crores. Out of which 175 crores is from the banking circle and the balance is from the promoters.

Mr. Ruchit Mehta: And your cost of borrowing on this?

Mr. Rajiv Dalmia: It has gone up by 0.25, so it is 11.75% now.

Mr. Ruchit Mehta: On the total of 525?

**Mr. Rajiv Dalmia:** No, on promoters' side, it is slightly less, say around 11%. On, banking side, it is 11.75%.

**Mr. Ruchit Mehta:** 11.75, okay, thank you so much.

**Moderator:** Thank you very much sir. Next question comes from Mr. Vikas Mantri of ICICI Securities, over to you sir.

**Mr. Vikas Mantri:** Sir, wanted to understand what is the position of the Forex loss and what it could be for the full year and have we capped it?

**Mr. Rajiv Dalmia:** Since we are importing our boxes, we have to establish LC, and these LCs are typically for 180 days, but if you close the account in between these 180 days, we have to book marked-to-market losses, but this is not a very perpetual feature because we are also opening LC on DP basis, but this time, the LC was more than 120 days hence we had to book around 3 crores as Forex loss.

**Mr. Vikas Mantri:** Okay, but the benefit of it would be in terms of lower costs as well.

**Mr. Subhash Chandra:** That's right.

**Mr. Vikas Mantri:** Okay, and what is the one-time charge that we have paid? What is the nature of this?

**Mr. Rajiv Dalmia:** We have taken an 8-year loan from 2 banks, so we have to pay arrangement fees at approximately 1.25%.

**Mr. Vikas Mantri:** Okay, and sir, as we read it, the bandwidth income is 26 million?

**Mr. Subhash Chandra:** This is competitive information which can not be given.

**Mr. Vikas Mantri:** Okay, sir, fine, no issues.

**Mr. Subhash Chandra:** Thank you, Vikas.

**Moderator:** Thank you very much sir. Next question comes from Mr. Harsh Agarwal of Unified Wealth Management, over to you sir.

**Mr. Harsh Agarwal:** Sir, I wanted to ask about the future CAPEX plan and how are you going to fund it?

**Mr. Subhash Chandra:** Well, we have already disclosed that there is an additional 1600 crores of total funds required which is being done through the rights issue. The additional debt of 500 crores and 1100 crores would be the rights issue which is likely to open in a couple of weeks.

**Mr. Harsh Agarwal:** And one more doubt - Your Movie on Demand, are you looking to add any more new movies to it? Because as far as I am seeing, it is only the repeated movies which are coming.

Mr. Subhash Chandra: We are working with the producer fraternity to see if we can put the newer movies on Movie on Demand and increase this service.

Mr. Harsh Agarwal: Okay, sir, thank you.

Moderator: Thank you very much sir. Next question comes from Mr. Amit Kumar of Kotak Securities, over to you sir.

Mr. Amit Kumar: A very good afternoon to you, sir. Sir, my first question is related to your transponder capacity, I understand that you have 9 transponders- I just wanted to know whether all of these are 36 megahertz or 54 megahertz?

Mr. Jawahar Goel: Well, 5 of them are 54 megahertz and 4 are 36 megahertz.

Mr. Amit Kumar: Okay, and what kind of a difference in channel capacity is there, I mean, how much can a 36 megahertz transponder carry and how much can a 54 megahertz transponder carry?

Mr. Jawahar Goel: See, on the same transponder, when there is no data it is 15 channels on 36 megahertz and 22 channels on 54 megahertz.

Mr. Amit Kumar: 22 channels on 54 megahertz, okay.

Mr. Subhash Chandra: I think these are very technical questions. We have no problem in answering them but sometimes these could be misleading because if there are heavy, fast moving sports content, it takes more bandwidth; sometimes if there is no sports content, you can put more video, etc. So I don't know what you are leading to with these questions...

Mr. Amit Kumar: No, sir, I just want to understand, because the sense that we are getting is that with 9 transponders, the technical understanding is that you cannot carry more than 150 channels, so that's why I wanted to know how many of them are high-capacity 54 megahertz because it was this kind of a misconception which is there in the minds of investors so just wanted to clarify that point.

Mr. Subhash Chandra: Okay.

Mr. Amit Kumar: Yeah, sir, on the ProtoStar satellite, how many transponders would you have, I mean, in terms of capacity how much incremental channels will you be able to carry?

Mr. Jawahar Goel: If you calculate the current satellite, there is a Doordarshan channel satellite is also in the neighborhood, so those channels are available to subscribers. On the ProtoStar, we had booked 10 transponders of 36 megahertz, which will give us a capacity of about 150 channels.

Mr. Amit Kumar: Fine, sir. Sir, on the content cost side, we have the sliding scale mechanism that you have talked about. we just wanted

to get a sense on, you know, what kind of a subscriber base do we have to reach to see the increasing sale and the increasing subscriber additions that we are getting- and what kind of a number do we have to reach before we see that sliding scale mechanism coming into play and you know, our content costs, you have already guided for I think 40%-45% so currently it is 56%, so what kind of a subscriber number do we see before, you know, we go down to that 40%-45% range?

**Mr. Subhash Chandra:** Amit, currently our programming cost is 56% not 46% and our target is to go to 45% programming cost.

**Mr. Amit Kumar:** Right.

**Mr. Subhash Chandra:** Now, what is the sliding scale, etc., that is different with different content providers and we are under confidentiality agreement but you can take that from 56%, we have to bring down the programming cost to 45%.

**Mr. Amit Kumar:** Right, sir, that is exactly what I want to understand that, you know, what kind of a timeframe or what kind of a subscriber base we are looking at.

**Mr. Subhash Chandra:** Next year we will have that 45%.

**Mr. Amit Kumar:** Okay, sir, fine. That's all from me. If I have any followup, I will come back. Thank you very much, sir.

**Moderator:** Thank you very much sir. Participants who wish to ask questions may kindly press \*1 on the telephone keypad. Next question comes from Ms. Avnisha of Time Securities, over to you ma'am.

**Ms. Avnisha:** This is Avnisha from Time Securities. I just wanted to ask what is the average ARPU?

**Mr. Jawahar Goel:** Yeah, average ARPU is 164 for this quarter.

**Ms. Avnisha:** 164 for this quarter and how much do you see it expecting to go for the next 2 quarters or so?

**Mr. Subhash Chandra:** Well, we are looking at every quarter about a 10% increase.

**Ms. Avnisha:** Okay, sir, thanks a lot, sir.

**Moderator:** Thank you very much ma'am. Next question comes from Mr. Piyush from Centrum Broking, over to you sir.

**Mr. Piyush:** Thank you and good afternoon gentleman. Sir, we have witnessed a significant traction in the subscriber additions like almost 5000 per day, what is the outlook for the remaining year?

**Mr. Subhash Chandra:** Well, we will achieve our targets, what guidance we have given to the market and which is..., Dalmiaji, what was the target?

Mr. Rajiv Dalmia: It is 1.82 million this year.

Mr. Piyush: Okay, out of the total DTH segment revenue of 155 crores, could you give what is the subscription revenue because we have been receiving that number for the last few quarters?

Mr. Rajiv Dalmia: Now, it is 133 crores.

Mr. Piyush: Okay, thanks a lot, sir.

Moderator: Thank you very much sir. Next question comes from Mr. Anupam Tiwari of Reliance Mutual Fund, over to you sir.

Mr. Anupam Tiwari: Sir, good afternoon. Just wanted to understand when this 6% revenue share license fee would be notified by government, any idea on that?

Mr. Jawahar Goel: The matter is before the cabinet and fully should be in a month's time which will be effective from April 1<sup>st</sup>.

Mr. Anupam Tiwari: Okay, but we are at this point of time, not accounting for that?

Mr. Jawahar Goel: We are accounting for that as 10%.

Mr. Anupam Tiwari: 10%, so there would be perior period item adjustment as and when it comes.

Mr. Subhash Chandra: Yeah.

Mr. Anupam Tiwari: Thank you sir.

Moderator: Thank you very much sir. Next question comes from Mr. Shubham Majumder from Macquarie Capital, over to you sir.

Mr. Shubham Majumder: Hello. I have a few questions. One is I understand your resolve of taking the cost of content that you pay to broadcasters from the current 55 plus percent to 45 percent. If you could give us some color on what exactly will enable that decline to that extent and is there any regulatory help that will come in your aid in this regard.

Mr. Subhash Chandra: No, Shubham. This is not a regulatory issue. It is just our contracts are written in this fashion that if there are more number of subscribers, we will pay less per subscriber basis and clubbed with a little bit more judicious mix and selection of the programs and the different packages which are being made.

Mr. Jawahar Goel: And to add here we had done some countermeasure which will give us roughly about 5% reduction this month only, in the month of July only.

Mr. Shubham Majumder: I see. So to understand it right, you actually have a telescopic rate arrangement with broadcasters whereby you are basically

saying that, you know, the higher the number of subs, the rate per sub actually keeps going down, is that correct with all broadcasting bouquets?

- Mr. Jawahar Goel: With most of them.
- Mr. Shubham Majumder: I see, I see, okay, and this 5% reduction which you were saying will be enabled this month itself, what exactly would that be, sir?
- Mr. Jawahar Goel: Well, like you are seeing that this quarter our content cost has been 55% and the current quarter we will be doing roughly 50%. So this is possession of contract.
- Mr. Shubham Majumder: Okay, and sir, regulatory push or the support that you got whereby, you know, the rate for DTH will be capped at 50% of all broadcasters charge for analog cable, is that not going to be a factor in this regard.
- Mr. Jawahar Goel: **Our contracts factor all these things because the law was made based on our legal fight start. So, it is the same way it is, law has come to the same position.**
- Mr. Shubham Majumder: So your numbers already reflect this reality?
- Mr. Jawahar Goel: Yeah.
- Mr. Shubham Majumder: Okay and second would be sir, you know, the subscriber acquisition cost in this quarter, I mean, what exactly... I think there is some confusion as to whether this is 3000 rupees or whether it is 2600 rupees and secondly, if there has been an increase in whichever way you look at it in subscriber acquisitions cost. Now would that increase, a large part of it, be hardware subsidy or would that be more of elevated level of promotions for content?
- Mr. Rajiv Dalmia: Actually it was primarily due to the hardware subsidy. In fact in marketing and all, we have trained because of the higher number of subscribers added during the quarter so the incremental subsidy of 200 rupees per box added to the cost of 2600 rupees.
- Mr. Subhash Chandra: Now, what is your total customer acquisition cost this quarter?
- Mr. Rajiv Dalmia: It is 2600 rupees.
- Mr. Shubham Majumder: Sir, I remember you mentioning that it will probably go to 3000 rupees, you know, is that the new reality from the July-September quarter?
- Mr. Subhash Chandra: No, no, Shubham I mentioned that we have budgeted for 3000 going forward but that does not mean that we will definitely spend that 3000.

Mr. Shubham Majumder: Okay, okay, got it. And sir, I know that it may not be so big in the overall scheme of things but you know, just the new transponders you are putting into service on ProtoStar, the newly launched satellite, what is the incremental cost on an annual basis should we be looking at from the incremental transponders that have been put to service?

Mr. Subhash Chandra: Well, per sub cost will not increase because we are increasing the subscribers so per sub cost will remain where it is, more or less.

Mr. Shubham Majumder: Okay, okay, but in terms of, you know, actually for modeling on transponder lease rentals on an yearly basis as a cost item in absolute terms, would that be a meaningful increase?

Mr. Rajiv Dalmia: We will be paying almost the same amount as we are paying to the other transponder supplier, ISRO.

Mr. Subhash Chandra: Yeah, we will add roughly about 8-10 million dollars per year more.

Mr. Rajiv Dalmia: That's correct, sir.

Mr. Shubham Majumder: 8-10 million dollars a year more incrementally?

Mr. Subhash Chandra: Yeah.

Mr. Shubham Majumder: Okay, okay, and in terms of subscriber acquisition run rates, you know, obviously the free box promotion scheme has sort of pushed up your acquisition rate fairly significantly- are we still seeing positive traction in that regard or are we now stabilized that the rate that you have reported for the quarter?

Mr. Subhash Chandra: Well, we will continue to tell you because I don't want to go into quarter to quarter, but Shubham, we are still, as I said that, we will deliver 1.8 to 2 million incremental subscribers during this year.

Mr. Shubham Majumder: Right. Okay, okay, thank you. If I have any more questions, I will come back but thanks a lot for this.

Mr. Subhash Chandra: Thank you.

Moderator: Thank you very much sir. Next question comes from Mr. Nikhil Vora of IDFC-SSKI Securities, over to you sir.

Mr. Nikhil Vora: Hi, just one question. Our ARPU for the first quarter as you just mentioned is around 165 rupees, but as I would understand in the last quarter sequentially, we were at 195, so what lead to this decline in ARPU?

Mr. Subhash Chandra: You are reading wrong, Nikhil. 195 was on a gross level and that figure for this quarter is 203. The 164 figure is on a subscriber level. So there has been an increase in ARPUs.

Mr. Nikhil Vora: Okay, thanks, sir.

Moderator: Thank you very much sir. Next question comes from Mr. Harsh Agarwal of Unified Wealth Management, over to you sir.

Mr. Harsh Agarwal: Hello, sir. I just wanted to ask when are you trying to launch this MPEG 4 boxes?

Mr. Jawahar Goel: Yeah, MPEG 4, we will do in quarter 3 financial year.

Mr. Harsh Agarwal: Sir, you have a subscriber base of around 3 million odd so for the existing customers, what expense are you planning to look at for changing the boxes?

Mr. Jawahar Goel: We don't have to change the boxes. There is no plan in changing the boxes. We will launch MPEG 4 with High Definition for the new subscriber who will be interested in High Definition content.

Mr. Harsh Agarwal: And so the customers have to pay anything extra for that?

Mr. Jawahar Goel: Obviously the High Definition channel and High Definition content, they are more expensive box and that the customers who want to have those kind of a content, they have to high grade to the new boxes.

Mr. Harsh Agarwal: Okay, thank you, sir.

Mr. Subhash Chandra: Harsh, just a clarification. MPEG 2 and MPEG 4 -The only difference is of the bandwidth consumption. There is no technical advantage or disadvantage between MPEG 2 and MPEG 4.

Mr. Harsh Agarwal: Okay. Okay, sir. Thank you.

Mr. Subhash Chandra: Thank you.

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

Mr. Prashant Kothari: Sir, just want to understand the competitive scenario now that Sun is also launched in a big way and they are offering their basic package at much lower rate, I think, 75 rupees or so, so how are consumers reacting to it and they are able to somehow gain subscribers also very fast, so how is the competitive scenario panning out, especially in South? While the average ARPU that we earn is like in excess of 150 rupees, so are we seeing any pressure on pricing because of Sun?

Mr. Subhash Chandra: No, Prashant, this package what they are launching at 75 rupees per month it is only the southern 4 language channel, so similarly, DISH also, has got an 80 rupees package for southern market and we are also adding the good number of subscribers on the southern market.

Mr. Prashant Kothari: Sir, is there any data in terms of how much market share you have in South?

Mr. Jawahar Goel: We have just launched 3 weeks back and I think we will discuss this in the next quarter results.

Mr. Prashant Kothari: Okay, okay, thank you, sir.

Mr. Jawahar Goel: Thank you.

Moderator: Thank you very much sir. Next question comes from Mr. Ritesh from Dolat Capital, over to you, sir.

Mr. Ritesh: Good afternoon sir. My question is you have given 2 ARPUS- one is based on subscription revenue and one is based on gross revenue. What is the difference apart from license in that?

Mr. Rajiv Dalmia: Gross revenue also includes teleport revenue, sales and services, and sale of each of the parts.

Mr. Ritesh: Okay, okay, yeah, thanks a lot, sir.

Moderator: Thank you very much sir. Participants who wish to ask questions may kindly press \*1 on the telephone keypad. Next question is Mr. Ruchit Mehta from HSBC, over to you sir.

Mr. Ruchit Mehta: Yes, just a small clarification- the bandwidth charges that we have mentioned in the no-stock, I mean, where does it actually get classified in the revenue breakups that we give?

Mr. Rajiv Dalmia: It is included in the income from other sales and services.

Mr. Ruchit Mehta: Okay, and just on the license fee that we pay, the 10% of the revenues, in which cost head does it get accounted for? Just to know where the fee does go from 10%-6%, where the change comes..?

Mr. Rajiv Dalmia: Yeah, it will be in the cost of goods sold and services.

Mr. Ruchit Mehta: Okay, it is part of the other expenditure apart from the pay and sell cost?

Mr. Rajiv Dalmia: Yeah.

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

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

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

**Mr. Subhash Chandra:** Thank you.

**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 nice day.

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