



DISH TV INDIA LIMITED

3Q FY2008 TELECONFERENCE
JANUARY 25, 2:00 P.M. INDIA TIME

Moderator: Good afternoon Ladies and Gentlemen. I am Rita, the moderator, for this conference. Welcome to the Dish TV India Limited conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question-and-answer session. I would now like to handover the floor to Mr. Atul Das. Thank you and over to you sir.

Atul : Thank you. Good afternoon ladies and gentleman, and thank you for joining us today to discuss the results for the quarter ended December 31, 2007, which is the third quarter for fiscal year 2008. We do hope that you had a chance to go through the earnings release and the copy of our financial results, which is available on our website www.dishtvindia.in. This is the third earnings call we are conducting for Dish TV India Limited for the fiscal year 2008 and to discuss the results and performance, joining me today from Mumbai is Mr. Subhash Chandra, Chairman of Dish TV and from a conference room in Delhi, other members of the senior management team of Dish TV, including Mr. Jawahar Goel, the Managing Director; Mr. Arun Kapoor, Chief Executive officer; Mr. Rajiv Dalmia, Chief Financial Officer of Dish TV and Mr. Sanjay Jain who is the President, Corporate Finance, at Essel Group. We will start with a brief statement from Mr. Chandra on the third quarter performance, and then, we will open up the discussion for questions and answers. I would like to remind everybody that anything we say during this call that refers to our outlook for the future, is a forward-looking statement that must be taken in context of the risks that we face. With this, I would like to hand over to Mr. Chandra.

Subhash: Thank you Atul and good afternoon ladies and gentleman, thank you very much for joining us today to discuss the results of the quarter ended December 31, 2007, which is the third quarter of the fiscal year 2008. Dish TV had a good quarter with a strong pickup in the subscriber acquisition. We added 297,000 new subscribers during this quarter, which represents an average monthly addition of 99,000 subscribers. This is 30% higher than the average monthly addition of about 76,000 subscribers achieved during the first 6 months of financial year 2008.

On the revenues side, subscription revenue grew by 26% to Rs 881 million as compared to the 19% growth recorded in the second quarter of financial year



2008. This quarter has seen sustained emphasis on subscriber acquisition and improvement in the quality of subscriber base through aggressive marketing initiatives. Our total registered subscriber base now stands at 2.7 millions as on December 31, 2007 representing a 64% market share of DTH pay TV services in India. We are providing 180 channels at present, which is the widest offering by any DTH service provider in this part of the world. Going forward, the company would continue with the strategy focusing both on subscriber growth and on revenue enhancement. In the last few months, focus on process improvement and efficiencies have resulted in overall improvement in operating margins and cost ratios across the expense head. This quarter, we have incurred an operating loss of Rs. 642 million. This is because we are incurring subscriber acquisition cost at the time of acquiring new subscribers, and all such costs are charged off to the P&L in the year in which they are incurred.

Let me now summarize the results for the third quarter of fiscal 2008. Our gross operating revenue reported is Rs. 1,121 million during the quarter, which is 48% higher than the previous quarter revenue of Rs.755 million. Total operating expenditure stands at Rs. 1,762 million. This is 43.6% higher than the previous quarter expense of Rs 1,227 million. Net losses have gone up by 26.8% to Rs. 1,164 million, compared to the previous quarter of financial year 2008. Higher net loss is due to our policy of charging of subscriber acquisition cost to the year of acquisition itself.

This quarter, we have further strengthened our services by adding some more interactive features to our gaming portfolios, MiniKids, and educational products for preschoolers. Dish TV also provided through India Cricket League, Twenty-twenty Cricket series in active mode for its subscribers. During the festive season, we received very encouraging response from the market, coming close on the heels of our new brand campaign featuring Shah Rukh Khan as the brand ambassador of Dish TV. This quarter has also seen tremendous enhancement in infrastructure and services by the company. Today, we have subscribers in over 4,400 towns, which are covered through 575 distributors and over 38,000 retail outlets. Moreover, we have just recently concluded an alliance with the Future Group, whereby we will be selling exclusively the Dish TV through all their outlets, which is going to give a further boost to the entire service. Apart from that, we have also done a lot of alliances in other leading consumer durable brands, which has strengthened the presence in many exclusive branded stores, so that we can reach to the premier customer.



We also saw during the month of December, entry of Sun Direct as a DTH player in the 4 southern states, however, we continued to show robust growth in this territory as well due to combination of our superior regional language offering and aggressive marketing initiatives. Our company Dish TV has been in a recent survey of Business Today has been rated as one of India's most valued private sector company and it is a market leader in its category.

We look forward to the rest of the year with optimism and assure you that we will continue to be of more value to the viewers and the shareholders. Thank you. Now, I would like to open the floor. Atul, we can now take questions.

Atul : Ladies and gentleman, we are ready for questions now. But before that, I would request all participants to please limit themselves to two questions so that we can get on as many people as possible.

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

Ruchit: Hi, good afternoon, gentleman. Congratulations on the results. Sir, if you could give us some overview of how do you believe competitive environment will pan out in the coming few months, especially considering whatever the rumored announcements from the Reliance Group has been of giving away free TV and such kind of freebies to customers, so how do you see these sort of things changing the operative environment we offer.

Arun: Sun TV has launched in December month. We see Reliance and Bharti coming in between the March to May timeframe. Reliance has been seeding information in the market of giving TVs free. We don't know for sure what is going to happen, but all that we know is that the TVs that they are talking about, LCDs, have a 30% failure rate as they are local brands. This is very akin to the handset bundling strategy of telecom, if you can look at a television as the handset, but it is still 2 or 3 months away, let's wait and watch and see what happens.

Ruchit: Okay, but you don't think that..



Subhash: I think all of you are concerned about the competition in this category which is a valid concern, but we should not forget one thing very clearly that in the telecom scenario there is no running cost. There you put up the infrastructure, connect the customer by giving handsets free and then you are just billing for the minutes that the customers are using. There is no cost to the minute through the telecom operator, but here you have a programming cost, which is a substantial cost, so the subsidy element has a definite limitation and hence it is not a game of acquiring more number of subscribers and using the infrastructure.

Ruchit: So basically you may also do some freebies, but this would be more a pass-through, you would acquire it and then charge it to the customer.

Subhash: We will have to respond to the competition and remain ahead of them.

Ruchit: Okay, and Sir just on the content side, you know, recently, there were lot of new launches, especially in the Hindi GEC front, but we don't seem to see them on the Dish packages or in your website. So, I am just wondering what is the strategy over here and because your competitor seems to have all of them from day 1 and in fact they seem to have partner some of them. How are you responding to this kind of move?

Subhash: That is the beauty there because we know about programming and that is why I should not give my bandwidth to the new programmer unless that adds value to my platform. The new launches are not having any traction whatsoever at the moment, and I am asking them for a fee because I am having 2.7 million subscribers. I want them to pay me carriage fees for the exposure I give them, and they are not yet agreeing to it but I am sure that in some time they will join us with some mutually accepted terms.

Ruchit: But, sir, do you not believe that this gives your competition a slight edge because they can provide these channels at present.

Subhash: No, I already have 180 channels vis-a-vis they have 140 channels, and they are not carrying my channel in Telugu, for e.g., so which is giving them a disadvantage because I have traction in that genre or territory. Whichever program has got traction, we are not leaving them.

Ruchit: Okay, Sir, but you don't rule out that in some point in time if these channels do succeed, you may have them on your platform as well.



Subhash: Of course, we are in the business of distribution. We are not looking them as a competitor to our content company.

Ruchit: Okay, thank you, Sir.

Moderator: Thank you very much, Sir. Next in-line, we have Mr. Shubham Majumdar from Macquarie Securities. Over to you sir.

Shubham: Hello, gentlemen. I have 2 questions. One is about what sort of steps or initiatives Dish is going to take in the coming months firstly to preempt competition and more importantly to differentiate your products and services in the market place. If we could just at least get some broad perspective or thought on those lines, and my second question is on longer-term content cost. What exactly is the content cost, increase is going to be like on the back of competition, if any, if you think, and what ways would be there to moderate that cost, as you gain scale on the subscriber front.

Arun: Initiatives for differentiation would primarily rest on 3 or 4 areas. You have seen our new Shah Rukh Khan brand campaign, so first strategy is to continue strengthening the brand and really make it meaningful and add as many subscribers as we can. The second one resides on distribution, we have added, about 300 towns in the last quarter and 3,000 outlets, so the plan is to go beyond these 4,400 towns and 38,000 outlets and go to maybe 700 distributors. So, hopefully within the next 5-6 months, we will be covering more than 5,000 towns through almost 75,000 outlets, which will be a key differentiator. Otherwise service continues to be a key differentiator, so these are the 3 planks on which I think we will kind of fight the battle and continue with our differentiation.

Shubham: Arun, just a small clarification, in terms of what the difference is with the incumbent competitor Tata Sky and also if you could just lay out some of those, that would be helpful in addition to what you already said.

Arun: To me, as you said, there are 2 incumbents. We are there and Tata Sky is there. We have been in business for 4 years, so the 2-3 differentiators that we have is that we are truly a pan India player, almost 40% of our business comes from towns outside the top 100 towns. There is nobody who has this kind of reach; this is one. Secondly, as Mr. Chandra said earlier we have over 180 channels and competition have about 40 channels less than us; that is the key disadvantage



that they have compared to us. So, these are two big differentiators that we have with respect to competition.

Jawahar: On content cost, as we have negotiated with the content provider based on each subscriber, whereas our competitor has done on minimum guarantee so they have done a costlier deal as they initially expected a higher number of subscriber acquisition, which they have not been able to capture. Also, you may be aware that TRAI has come down with RIO requirements for DTH, so each broadcaster has to file their ala carte rates by the end of the February 2008. This will bring out more clarity to the benefits accruing to each player.

Arun: Shubham, 2 more things, we are now re-negotiating with all content providers to charge carriage fees and to also provide us with free commercial time or barter deals, which effectively reduces the content cost, so the strategy is three-fold. One is the RIO strategy, which will eventually happen, second is charging of content fees, and third is negotiating for free commercial time.

Shubham: Thanks for the answer. Given that I am relatively new to this company, if you could just quickly tell me what the RIO strategy is.

Subhash: If we look at the business model of content distribution internationally, the programming cost runs anywhere between 35% to 45% of the ARPUs and currently, the costs are running close to 55%-60% which will come down to the level of 35%-45%.

Shubham : Thank you so much, thanks.

Moderator: Thank you very much Sir. Next in line, we have Piyush Chaudary from Centrum Broking. Over to you Sir.

Piyush: Thank you. Good afternoon gentlemen. My first question relates to the cost of goods and services, they have come up sharply. So if you could provide a flavor as what were the three contributors to the rise and what was the content cost for the period. Second question is relating to the trading revenue, the segment which you report, that has booked a loss of around Rs 32 million this quarter, so is it related to one-time loss on set top box sales.

Rajiv: One-time cost of good sold is higher because we had some sale deal with LG Electronics to around 33,000 connections we are giving to LG, so that is why it is higher than the last year quarter, and as far as trading is concerned, this is



mainly on account of the spare parts which we are providing to the existing customers even though the spare parts are worn out or they are repairable.

Arun: I would like to add, yes, there was a deal with LG where we sold 30,000 to 40,000 pieces. Yes, it came at a higher cost for low realization, but we knew this from the very beginning. There is a certain benefit to be derived, it was season time, Diwali time, we rode on that brand, and we opened about totally new distribution channels whereby pitching out exclusive outlets and to high-networth individuals. It was part of a well thought-out strategy where the cost would be slightly higher, but there would be other marketing benefits to be derived out of that.

Piyush: Okay, so these 33,000 set top boxes you have given them free of cost. What was the deal?

Arun: Nothing has been given free of cost to anybody. We sold it to them at a certain lower realization.

Piyush: Okay.

Arun: And they in turn bundled it with their products during Diwali season on televisions and gave them out.

Piyush: Okay, and what was the content cost for the period.

Subhash: We are not giving break-up of the content cost. They are all included in the cost of goods and services.

Piyush: Okay, Sir, thank you.

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

Ayesha: Hi, there. It is Ayesha from Goldman Sachs. I just wanted to find out how many subscribers we have added at the end of December and how did that fare with direct results that have been reported and secondly, could you explain a little bit more in detail in terms of content cost. I mean, how does it work, do you pay the same flat rate per subscriber or is it scalable in terms of the fact that you maybe paid less as more subscribers you add. Is it sliding scale basis or is it a fixed cost.



Arun: Let me answer that in 2 ways. One is our subscriber base is 2.7 million, almost 1.1 million of these are in the highest package, which is Rs 300 per month and approximately 0.6 million on the middle package which is Rs 262 per month, so almost 2/3rd of the subscribers are on the top 2 end packages. However, point to note is this is a total based in terms of when people come up for renewal after the initial lock-in period almost 75% of the people are remaining in the top 2 packages, which is giving us a total ARPU at the time of subscription renewal of 219 rupees. That was the first question that you have asked.

The second was on Sun. This is the second month running of Sun, which was launched in December. In December, they acquired approximately 85,000 subscribers, but these are very low-end subscribers where the subscription package is Rs 75 per month and where the initial entry cost is Rs 1000. The trend is continuing. In January, they will do a similar number also as per current indications.

The third was on content cost, which for our competitor is at least 30% higher than us due to 2 key factors about the way we negotiate. One, we do not have any minimum guarantee, second is, as you correctly said, we have a sliding scale; the more we acquire, the more people we have on our platform on a slab basis, the less we end up paying.

Ayesha: Is there certain levels though, you know, once you reach 2 million subscribers, you go into a different rate, once you reach 3 million, is it not how it works.

Arun: Yeah. There are milestones, when we achieve those milestones, new rate starts kicking in automatically.

Ayesha: Okay, great. Sorry, the number that you mentioned of 85,000, that was the number of subscribers on the Sun direct platform.

Arun: Yes, in the month of December.

Ayesha: How many have taken sun packages on your platform?

Arun: About 320,000 subscribers have taken the Sun package. There are 2 things, there is an ala carte, which we charge 50 rupees per month and there is an upgrade mechanism also. Because we did not have all the Sun channels till 2-3 months back, and this is part of the content strategy as when they started charging us, part of it had to be passed onto the consumers.



Ayesha: Okay, great, thank you very much.

Moderator: Thank you very much sir. Next in line we have Mr. Balaji from Sundaram BNP Paribas. Over to you sir.

Balaji: Yes, good afternoon. Just one small question, this additional 40 channels that we have and which we see as a competitive edge, most of these 40 channels are basically radio channels and Doordarshan channels where the quality of content is anyways bad and nobody watches them, right.

Subhash: So what is your question?

Balaji: So is it really a competitive edge.

Atul: Balaji, what is irrelevant for somebody could be very relevant for some other subscribers, so you know there are regional packages, there are regional channels which are there, and therefore, content is relevant for the particular audience.

Arun: Balaji, to answer your question in addition to what Atul has said. Yes, there are about 20 channels, which are audio channels, but there is regional content and this is where we differentiate in being able to supply content to regions and to dislocated populations. There are channels like which are very popular Zee channel like Premier, Action, and Classic. This is break-free cinema, there is ETC Punjabi which consumer have been trying to get from us for the last few months, which is a key differentiator in the north because it carries Gurbani. So no, I would say that quite a few of channels that we have and that they don't have on their platform are established channels which have tremendous demand, and that would include things like Zee Sports also.

Balaji: Okay. Thanks.

Moderator: Thank you very much sir. Next in line, we have Ms. Tanu from Quantum Asset Management. Over to you ma'am.

Tanu: Hello?

Arun: Hi.



Tanu: Hi, just one small question. You have been talking about carriage cost association, you know, with the new broadcasting. Now, you all are a broadcaster and a distributor, we are seeing as to how more digitalization carriage costs for all broadcasters should actually go down and because of the digital platform for delivery of channels, why, I probably am missing out on something but why should a broadcaster pay Dish or for that matter even Tata Sky carriage costs.

Subhash: Because today they are launching new channels, and they need exposure to their programming.

Tanu: Right.

Subhash: And my customer as a distributor, as a Dish TV, my customer has not really sampled their channels because it is new, so he is not demanding from me that channel so I am going to cost something to carry your channel. There is a cost because I have transponder capacity blocked by that, I have to perform the broadcast operation and other processes for showing their channel to the viewer and so I am just asking them to pay my cost if they want their channel to be carried. If you say that there is no need to carry, then good luck, no need to carry, then they would not get advertising revenue from the advertisers because they are missing 2.7 million subscribers on Dish TV.

Tanu: So, would it be a fair assumption that going forward carriage costs for all the broadcasters actually will not go down, which is what, you know, everybody probably is thinking. If this is the case, you know, then it is pretty much is the same as analog delivery of channels.

Subhash: Here it is not necessary, but it is a cyclical thing. I would say that for another couple of years, the carriage cost is a reality, it will continue even if it is either analog or digital, but there will be time when the carriage cost will go down to zero, but then there will be again demand for more capacity and carriage fees will again come back. In the developed market today, it is a question of who is carrying what, and it is a demand and supply situation.

Atul: Tanu, also if you look at the cable scenario, cable capacity is limited, and therefore cable carriage fees are going up. While theoretically Dish TV can add or any other DTH service provider can add new channels but there is a constraint on capacity or there is a cost to capacity. The people are obviously taking the benefit of a newcomer. Eventually, in the long run, it will all depend, for e.g., in



the US also, DTH players do charge a hefty carriage fees to various content providers at very high numbers.

Tanu: Do we know if Tata Sky is following the same thing, are they also charging the broadcasting carriage fee as of today?

Atul: We won't be able to comment on that.

Tanu: Alright, okay. Thank you so much.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Nikhil Vohra from IDFC-SSKI. Over to you sir.

Nikhil: Thanks. Couple of questions. One was on your DTH revenues, can we have the break-up between rental incomes and the subscriber income?

Atul: We are not splitting it out specifically, but, you know, it is obviously around 85% of that is the subscription revenue.

Nikhil: Okay. The second was what would be the ARPU right now overall, as also if it is possible to get a breakup of the ARPU or the subscriber billed at the FTA level and the maxi level.

Subhash: You know, we don't carry that way our FTA and pay subscribers fees.

Nikhil: Okay. Can we have the composite ARPU?

Arun: The ARPU in this quarter has been Rs 146, which is 16% or Rs. 20 increase over the earlier quarter of Rs 126. Going forward, we expect fourth quarter ARPU to be about Rs 165, which is again going to be a 13% increase over this quarter.

Nikhil: Okay, and if I can just ask another couple of small questions. The overall debt right now on the company's book and the cost of debt ?

Atul: The overall debt is around 4.25 billion.

Nikhil: Okay.

Atul: The cost of debt would be in the region of 11.6%.



Nikhil: And lastly, our overall customer acquisition cost, would that have gone up sharply in the current quarter?

Arun: The customer acquisition cost in this quarter is Rs 1,880 rupees and the last quarter was about Rs 1,628. It has gone up by about Rs 150 to Rs 300 or so.

Nikhil: Okay. Sorry, just one more thing. Dish TV is incremental subscriber base in December month, given that Sun has started that month, can you just share that number?

Subhash: This quarter, we have already told you 297,000 subscribers.

Nikhil: Okay fine. Thanks for this.

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

Amit: Good afternoon sir. Good set of numbers on the revenue side. Sir, wanted to understand, I mean, in the beginning of the call, Subhashji said some Rs 881 million. Was that the subscription revenue or whether did I recorded it wrongly?

Subhash: Yes. That is the subscription revenue.

Amit: Okay. So, remaining would be the lease rental.

Subhash: Yes.

Amit: Okay, and sir, on the cost of goods and services, the major portion would be the content cost, right?

Atul: Yes, it will be. Content cost is anyway the major portion of Cost of goods sold and services.

Amit: Yes, okay, and rest would be more or less fixed.

Subhash: Yes, they are going down because the cost remains constant as we add more subscribers.

Amit: Correct, but in absolute numbers if you assume it is more or less fixed actually I was just looking at the second quarter number. The break-up was given for content cost was around Rs 40 crores. This quarter, the content cost has gone



up substantially, if you remove that fixed component of 27 crores. So, just wanted to understand, is it because of new channel that is added or what is the reason being or there is a re-negotiations with the broadcaster that has happened.

Atul: It is because of some new channels are getting added.

Amit: Okay, but you mean those 40 more channels that you have over the competitor

Atul: No. We have been maintaining certain additional channels vis-à-vis competition. However, that is a separate thing, the increase in cost could be attributed to additional couple of channels or a bouquet of channels like Sun channel bouquet.

Amit: Okay.

Atul: Benefit of that, in terms of subscriber base will accrue in the year coming forward.

Amit: Okay, thanks a lot sir.

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

Ritesh: Good afternoon sir. Just have a question. Right now, content cost is about 65% of ARPU. At what level of subscriber base, we see that it goes down substantially?

Subhash: Well, Ritesh, this is a new industry, new category we have started. As I said that the international norms are anywhere between 35% to 45% is the programming cost. So, it is not something we can say that it has 4 million subscribers it will come down to that level or 5 million subscribers it will come down to that level. So, it is a calibration going on because in India it is a new industry. Some programmers, they have squeezed us and on the other hand, we have squeezed some of the programmers, so it is both ways, but it will ultimately find its own level, and we will settle down somewhere at 40% to 42%.

Ritesh: Okay, thank you very much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Mehra from Sunidhi Security and Finance. Over to you sir.



Mehra: Hi, good afternoon. I have a couple of questions. The first question is that your subsidiary is going to launch a satellite in FY09. Can you just throw some light on the benefits and when exactly it is going to have a satellite.

Atul: Jawaharji, would you like to answer that ?

Jawahar: This satellite that we are launching, its purpose is not the cost saving rather it is more for planning the capacity well in advance over the competitor because we believe satellite capacity would be a key advantage in the future. The satellite would get operational in next 5-6 months and will be used as and when required.

Mehra: Okay. Next question is, sir, customer acquisition cost what you told about around Rs 1,825 right ?

Subhash: Rs 1,880.

Mehra: How do you write off this acquisition cost?

Subhash: We write off in in the year of acquisition itself 100%. (Classification: we capitalize the box subsidy while we write off the other operating costs).

Mehra: Okay, thank you.

Moderator: Thank you very much. Next in line, we have Mr. AMIT from Kotak Securities. Over to you sir.

Amit: Very good afternoon to you sir. Sir, I just wanted to understand how much was the net carriage fees that you got from various broadcasters for this quarter?

Subhash: That is part of the programming cost. We don not track that separately.

Amit : Sir, but you had been giving this number to us previously, and carriage fee.

Atul: We had changed the accounting treatment of that, and therefore, we had shared with you what exactly had changed, but as a matter of regularity we would not be sharing specific number

Subhash: That is a competitive information, Amit.



Amit : Okay sir. Sir, other than that, I just wanted to know your selling & advertising expenses, which have gone up for this quarter. Will that sustain or how much would be kind of one time, which would be there for this particular quarter, and how much will be a kind of sustainable selling and advertising expenses going forward.

Arun: You see, Amit, the last quarter, October to December saw the brand re-launch campaign with Shah Rukh Khan.

Amit : Okay.

Atul: So, October was very high expenditure in the terms of advertising expenses that we tapered down during November and December, but going forward, as you rightly said there is a competitive scenario emerging, we will be spending in the every quarter Rs 30 Crore ballpark figure on advertising and promotions.

Amit : Is there any other G&A expenses?

Atul: Rs 15 crores, which is there in the total selling and distribution as commission will continue like that.

Amit : Okay, and I just wanted to understand this consumer acquisition cost of Rs 1,880 per sub that you are talking about, exactly what all do you count in this ?

Subhash: On this advertising expenditure, subsidy on hardware and everything.

Amit : Okay sir, subsidy on hardware is also counted here.

Subhash: Yes.

Amit : Okay, fine. Thank you very much.

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

Mantri: Good afternoon sir. Just a flavor on the ARPUs. Since you said more than 66% of our subscribers are only higher band, just wanted to know what percentage would be paying subscribers because APRUs are only 146.

Subhash: As you know, we have earlier explained that we have not yet started tracking the churn. So, we feel that we should be able to give the churn subscribers at the



end of this year, and so that, from the next year, we would be tracking this churn rate. You all will be informed at that time and we estimate that our churn rate would be about 1% to 1.5% every month, but so far, if you look at right from the beginning, we had acquired almost more than 3.5 million subscribers. So, at the moment, when we say 2.7 million subscribers, we still have about half a million subscribers those whom we are still tracking them and we are still trying to get them to start paying us the money. So, if you look at that way that the rate of subscribers' ARPU is based on 2.7 million, but out of this 2.7, there is half a million those who are not paying us, either because of the churn or because of the schemes which may be there.

Mantri: Sir, what I see very positively is you do not end up paying content cost for these subscribers also because that is also very low.

Subhash: Yeah.

Mantri: Thanks sir, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Ms. Yasmeen from Alchemy Stock Broking. Over to you sir.

Yasmin: I just had a question on the subscriber addition, which is taking place. Is it more in non-CAS areas or CAS areas, and how do you see it going ahead once the competition comes in?

Arun: You see, we told you we are there in 4,400 towns. Subscriber additions are happening across the country. Just to give you a broad ballpark figure. About 24% are happening in the top 50 cities.

Yasmin: 24% in top...

Arun: Top 50 cities, and balance everywhere else, but, acquisitions are happening with the same kind of speed in the CAS and non-CAS areas. When CAS was announced at that point of time there was a steep jump, now it has stabilized.

Yasmin: And sir, if I have to see in CAS areas, how much is it coming from CAS areas if I have to breakup subscribers for the industry?

Arun: You see, CAS areas are about 1.6 million. Out of that, let us say about 800,000 or 900,000 have gone digital. So, that 900,000 approximately are between us and competition, DTH would be about 275,000 to 300,000 subscribers.



- Atul:** Yasmin, it is a very small number in CAS areas. Most of the subscribers are actually voluntary taking digital DTH. You know, majority of that is coming from non-CAS areas.
- Yasmin:** Okay, thank you sir.
- Moderator:** Thank you very much ma'am. Next in line, we have Mr. Lathia from HDFC Mutual Fund. Over to you sir.
- Miten:** Good afternoon sir. If I look at the incremental revenue QoQ, it is about Rs 33 crores, where as incremental cost of goods sold is about Rs 65 crores. Atul just mentioned that there was some payment for new channels, but would the magnitude justify that Rs 30 crore differential or there has to be something more to the cost of goods sold increase than just new channels?
- Rajiv:** This cost of goods sold also includes broadcasting expenses. It is a regrouping done by the auditor, so it is not comparable with the last quarter. We have circulated the comparable numbers in the earnings release.
- Atul:** Maybe Miten we can take that separately.
- Miten:** Sure sir, I will give you a call, no issues. I will take it from you. Thanks very much.
- Atul:** Any other question, Miten.
- Miten:** No.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Sharma from A.S.K. Investment Management. Over to you sir.
- Sharma:** Yeah, sir, we plan to raise the equity to the tune of Rs 250 crores we had planned, out of which and as to correlate we have subscriber acquisition cost of Rs 1,880, so just to understand that roughly 1.4 million incremental subscribes, we would need today's equity again, is that fair to assume sir.
- Atul:** Yes, we will, as we have already mentioned earlier at various conference calls, there is total requirement for funding because as you see we are cash negative at the moment, so we need external infusion of capital. Total funding requirement is to the tune of 11 billion rupees, out of which the first tranche of



equity which we had announced in the preferential allotment to Indivision India Partners, and we are also at advanced stage of tie-up with debt which should be equivalent of close to 100 million dollars. This should take care of at least the next several quarters of our funding requirement, but we will definitely need to raise further equity, which is to bridge the gap, which is remaining.

Sharma: Okay, ,thanks.

Moderator: Thank you very much sir. Participants who wish to ask questions, may please press 01 and *1 on your telephone keypad. Next in line, we have a followup question from Mr. Ruchit mehta from HSBC. Over to you sir.

Ruchit : Yeah, hi sir, just to the CAS environment, you know, it has really not even taken off, but you guys have continued to add subscribers, so just wanted to get the sense of what really is driving customers at the ground level to choose voluntarily into DTH and specifically more in the non-Metro areas where you seem to be extremely strong.

Subhash: Quality of service and even on the cable side there are people taking the digital boxes or converting to CAS on voluntary basis. So, I have been maintaining from quite some time that digitization of cable as well as delivery mechanism of others is inevitable, whether there is a regulation or no regulations.

Ruchit : Okay, and because we are more strong in the non-metro towns, what is the ARPU differential you are seeing within metro and non-metro. Are you seeing the non-metro customers not happy to pay Rs 300 per month or the top end of the package because they are used to very low cable rates of say Rs 100 or Rs 125 in the smaller towns.

Arun: There is a marginal difference between the ARPU from the smaller town versus the bigger town because the industry itself is in such a nascent stage, there is no great difference sir.

Ruchit : So, practically what it means?

Subhash: So, that means, you can say that people are willing to pay higher ARPUs for DTH service even in the smaller towns.

Ruchit : Okay, that is great, and just finally we had a target of about 3 million for the full year, so you are probably on track for that, and what do you see, and the subscriber additions happening for next year.



Subhash: Arun?

Arun: So, we are on track with our guidance of 3 million. We are already 2.7. We have 3 more months to go. We will finish at 3 million, and next year also, we will add upwards of a million subscribers.

Ruchit : Okay, that is great, thank you.

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

Amit: Sir, just a follow on question, as far as the subscription growth is concerned, what is your outlook for this quarter, in 4th quarter, because this being last quarter. What is the seasonality like because the festive season is over, so could you comment on subscription growth linked with seasonality?

Arun: Amit, on subscription growth, it has less to do with seasonality. The acquisition of subscribers has to do with seasonality, when there is Diwali, there is cricket world cup and subscription growth has to do with what happened 6 months back. Subscribers, which I took on 6 months back, are now coming up for payment. Now, coupled with lot of collection initiatives, churn management initiatives, we are actually seeing very robust subscription growth, when you see this trending, and we see upwards of 20% to 25% growth even on the next quarter.

Amit: Okay. No. I was referring to subscriber addition.

Arun: I have answered your question on subscribers. We will be adding another 300,000 in this quarter also.

Amit: Okay, thanks a lot sir.

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

Ayesha: Thanks, my question has been answered, but I still have one follow-up question. Are you showing Pay-Per-View at the moment in the platform and, you know, what sort of revenue potential do you see from this going forward?



- Arun:** We have 6 channels, which are running on movie on demand, both English and Hindi. Yes, we charge about Rs. 50 to Rs. 80.
- Ayesha:** Is it contributing to revenue?
- Arun:** No. It is not a very big contributor. The penetration level is about 5%. About 50,000 people subscribe to movies every month or so, but increasingly we see going up, but it is not very high today, not a very high level today.
- Ayesha:** Okay, great, thank you.
- Moderator:** Thank you very much ma'am. Next in line, we have Mr. Nikhil Vohra from IDFC-SSKI Securities. Over to you sir.
- Vohra:** Hi, you mentioned the target for next year subscribers, it should be around 1 million incremental, which should mean that we should get around 4 million odd, then what is the likely contribution that you are expecting from the Future Group in terms of incremental subscribers coming from that part of the business ?
- Atul:** Nikhil, we will update to you as and when we go forward. You know, obviously, there things will develop, and we will update to you on that.
- Vohra:** Okay.
- Subhash:** We have kind of exclusive tie-up with them, but they will be selling dish only. They will not sell any other DTH operators' products through their outlet.
- Vohra:** Okay.
- Subhash:** We may beat that 1 million target for next year.
- Vohra:** Okay. Is there any revised guidance in terms of breakeven that you will be looking at now, either in terms of the tenure or in terms of subscriber base.
- Subhash:** Not yet. We will take a view in another couple of quarters from now.
- Vohra:** Okay, thanks for this.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Amit Mehta from ICICI Prudential AMC. Over to you sir.



Amit: I understand that currently you are not able to track the churn that is taking place. I also understand that you don't sell your set top box when a new subscriber is added, so it is given on rental. Does that mean that your set top box is out there and there is no track of it?

Arun: Amit, first part of the question, you said we don't track churn. We track churn by territory by month, by zone, by state. It is just that what we are saying is that a lot of our management initiatives are of recent vintage. We will allow them to stabilize. We will start reporting churn from beginning of next year onwards. That is the first part. The second is that yes we give it on rent. We do not sell it, but that has no linkage with STB floating around. We know exactly where they are, and the reason we adopted this strategy is there are certain financial benefits by way of taxation which accrue to us, that is why this is the model we have adopted. There is no link between the two things.

Amit: So, you are actually seeing set top box coming back when the customer has walked out of your services.

Subhash: Not necessarily, because he has anyway made the entire cost of set top box as advance to our subscription.

Arun: We have already recovered our money from him fully.

Amit: Okay. Thanks.

Moderator: Thank you very much sir. Next in line, we have Ms. Devi from MIRAE Asset Management. Over to you ma'am.

Devi: Hi, I have two questions. First is when you talk about ARPUs, you know, on the higher end is around Rs 300 per month, does it include taxes? If it does, how much will be the local and the entertainment taxes? Secondly, you earlier mentioned that you have Sun customers around 320,000, how many will be Zee customers in Dish TV?

Arun: You see, Zee, everybody on Dish TV all our customers carry Zee except some parts of South. You can assume that of the 2.7 million subscribers that we have, more than 2.6 million subscribers will be having Zee, and what was the second question?

Devi: Are the taxes included in Rs 300?



Arun: Rs 300 MRP has two components to it. It has a component of license fee and another as service tax. Now, some states, have entertainment tax which is included as part of this but some has additional taxes. Overall, our estimate says that the entertainment tax component is about 2% on our subscription revenues, but it is not a part of ARPU charged to the customer.

Devi: So, your subscription revenue is reported as net of taxes or inclusive of taxes?

Arun: It is net of taxes. So, even the ARPUs that we report Rs 146 for instance, it includes the license fee, but excludes the service tax component.

Devi: When you talked about Zee customers, all the customers are paying for the entire Zee package, the 2.6 million you said subscribe to Zee package, do all of them pay for the entire Zee package or only some channels of Zee ?

Arun: Ma'am, it is not about Zee package as such. The entire content is grouped into 4 bouquets, and within the bouquets, there are various channels of Zee at various different levels. It is merely nothing like a Zee package being sold, so the consumer actually buys the bouquet and may not get many of the Zee channels as per the configuration.

Devi: So, on an average, a customer would be paying at least Rs 20 towards Zee.

Arun: Ma'am, the customer at this point of time does not pay us by bouquet. He chooses a package. The package has certain content packed in it from us, Star, Sony, and others and he pays for the complete bouquet. We are not in an ala carte regime as yet.

Devi: Because Sun TV reported almost Rs 32 million as revenues from DTH. Of this, bulk of it came from you. So, that is what I was trying to find out, how much is the Zee?

Arun: Ma'am, there are 300,000 subscribers in the South package. Sun TV, they have launched last month, they do not carry Zee at all.

Devi: Okay, thanks.

Moderator: Thank you very much ma'am. Participants who wish to ask questions, kindly press *1 and 01 on your telephone keypad.



Atul: Can we just take the last question also.

Moderator: Sure sir. Next is a follow-up question from Mr. Shubham Majumder from Macquarie Securities. Over to you sir.

Shubham: I just wanted to understand from a longer term point of view, what could be the value added service revenue kickers that may come in which is almost nonexistent at this point in time and what sort of initiatives would you like to take on that because there are actually chunky revenue streams on it per movie basis, if you can charge Rs. 50 to Rs. 80, how can we increase penetration from the current 5% up to higher level, and also in terms of any alternative revenue streams that are currently not being thought about by the industry players, but may actually be in existence, so would you just give us some color on what do the incremental revenue kickers could be from little medium to longer term point of view. Thank you.

Arun: Shubham, we currently have movie on-demand. We show Walt Disney movies, and we also have the Zee library. We are tying up with other studios, and we should see far more movies coming on movie on demand. We may even increase the number of channels, so contribution of that will go up. In gaming today, we were not charging anything. Now, we have increased our gaming content, and from May onwards, we would start charging. So, this will also as penetration increases start to contributing more. You will also see in the next 3 or 4 months or maybe the next 6 months a lot of ala carte channels coming in. There could be channels on gardening, housekeeping, astrology, for which we will start charging extra. In addition to this, there is something called active cricket. We have active services for which we were not charging till now. We were seeding it. We would start charging for that also, in future. Now, there are few things that are very visible and which will increase the value-added service revenue. Movies, on-demand becoming more popular, charging for gaming, ala carte channels, and active services.

Shubham: Thanks.

Subhash: Generally, the international experience what we know is about 20% of the revenues are from value-added services in this category.

Shubham: And what genre of value-added services if you can just highlight maybe one or two key.



- Subhash:** Arun explained to you, pay-per-view, movie on demand, and everything.
- Shubham:** Which are the ala carte channels ?
- Subhash:** Ala carte channels are not part of value-added services as international industry work out.
- Shubham:** Excellent, but with regards to the must share code or must dispute code by the TRAI, though the ala carte channels will not be trimmed down as a result of that, meaning you know, there will be exclusive to Dish TV platform, right?
- Subhash:** Yes, if you keep exclusively to your own platform, and you can't discriminate among the other distributors, then you can keep exclusively for yourself.
- Shubham:** Right, so what you are saying is you can keep only to Dish TV as long as you don't give it to anyone else. You may not be required to give it to a third party or whatever.
- Subhash:** Yes.
- Shubham:** Okay great, thank you so much.
- Moderator:** Thank you very much sir. At this moment, I would like to handover the floor back to Mr. ATUL for the final remarks. Over to you sir.
- Atul:** Thank you Ladies and Gentlemen for joining us for the third quarter report. We look forward to speaking to you again before the end of the fourth quarter. Have a great day.
- Moderator:** Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
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