

## DISH TV INDIA LIMITED

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### 2Q FY20 EARNINGS TELECONFERENCE November 14, 2019, 05:30 P.M. INDIA TIME

**Moderator:** Ladies and gentlemen, good day and welcome to Dish TV India Limited Q2 FY 2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “\*” then “0” on your touchtone phone.

I now hand the conference over to Mr. Tarun Nanda. Thank you and over to you, Sir!

**Tarun Nanda:** Thank you. Good evening, ladies and gentlemen. Thank you for joining us today for the 2Q FY 2020 Earnings Conference Call of Dish TV India Limited.

To discuss the results and performance, joining me today is Mr. Anil Dua -- the Group CEO of the Company; and Mr. Rajeev Dalmia -- the CFO.

We will start with a brief statement from Mr. Dua and we will then open the discussion for questions and answers. I would like to quickly 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.

With that, I would now request Mr. Dua to address the participants.

**Anil Dua:** Good evening, ladies and gentlemen and thank you for joining us today for the Second Quarter FY 2020 Earnings Conference Call. I am sure you would have had the opportunity to go through the results and the earnings release both of which have been uploaded on the company’s website.

Subscriber additions were slow this quarter as the second quarter normally is. Also a not so robust macroeconomic environment, price undercutting by peers, along with heavy rains and flooding in many parts of the country put pressure on subscriber acquisitions and retention. Dish TV India Limited, however, chose to be resilient making the best of every opportunity coming its way.

Setting aside the price undercutting resorted to by some peers in parts of the country, Dish TV India maintained a fine balance between the subscriber acquisition and the cost of such acquisitions. The company intentionally avoided adding extremely value partial subscribers, ending the quarter with 42,000 subscriber additions at the net-level. Total net subscriber base at the end of the quarter was 23.94 million.

Financial performance during the quarter was a mixed bag with the EBITDA margins strengthening further, while the absolute revenues and EBITDA remained on the softer side. Subscription revenue for the quarter was Rs. 7,920 million and operating revenue stood at Rs.

8,932 million. EBITDA for the quarter was Rs. 5,205 million with a strong EBITDA margin of 58.3%.

As the government lays out the next round of measures for the economy, shifting focus to fueling demand and consumption, consumer optimism and willingness to spend should soon come back to normal. The onset of festivals at the end of the second quarter worked well for normalcy in the coming months.

Widening the portfolio of offerings for our subscribers, Dish TV India launched its much awaited Smart Connected Devices comprising of the Dish SMRT Hub Android set-top box and Dish SMRT Kit – a voice enabled dongle with an Amazon Alexa powered remote across 20 carefully selected locations in the country.

The company registered an encouraging response for both the next generation products and aim to address the existing subscribers with the Dish SMRT Kit, along with almost the entire market of broadband connected houses with the Dish SMRT Hub.

These devices eliminate the hassle of switching between linear TV and OTT apps by effectively combining the two through a single entertainment device. With the launch of these devices, Dish TV India now has the best range of connected devices, apps and services in the industry, enabling it to give more choice, quality and value to its customers.

With that, I would like to open the floor for the Q&A session.

**Moderator:** Sure. Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Avnish Roy from Edelweiss. Please go ahead.

**Avnish Roy:** My first question is on the price undercutting among peers that you mentioned. So this industry has seen massive consolidation and a very few players are left. So this undercutting happening in spite of slowdown. And you said Dish TV chose to be resilient, what does that mean? Did you match the pricing? Or your pricing was still above the peers which you mentioned?

**Anil Dua:** Yes, I think two questions you have asked here. Number one, the reason for price cutting despite the consolidation and second is Dish TV's response. On the first one, that is the fact. That is what you can see in the market. In the over enthusiasm post NTO there has been, I would say irrational price cutting by some of the players in the market. So we have been conscious to choose our response to the market to see whether we have to match that, or we have to avoid that. And wherever we have felt that the quality of acquisition is going to be poor, we have avoided that and that is what we mean by being resilient. And we have led along wherever we felt that is a genuine customer acquisition opportunity lead into a genuine addition to the customer base we have played along.

**Avnish Roy:** And sir, these peers are the DTH players or you are facing it from the cable players also?

**Rajeev Dalmia:** Mostly DTH players only, because as you know that especially in South India, there is a lot of undercutting by the dominant South Indian player and we had to match the prices to the Southern state. So that led to the reduction in the overall ARPU also. But we could not help because those are key markets after our merger with Videocon, where today we are quite strong in those two markets. So it continued for quite some time. Now normality is returning and the NCF is also less discounted than it was before one month.

**Avnish Roy:** Understand. The undercutting in North India was quite limited, right?

**Rajeev Dalmia:** Yes, North India was not too high because, North India, is between two - three players, which are mature enough to see the balance sheet position also. But it was primarily in the South India and some part of West Bengal and Odisha for some time.

**Avnish Roy:** Sir, on subscriber addition, you have done 2.5 lakhs in first-half and in Q2, it was only 42,000. So you mentioned H2 expected to be much stronger, does it mean versus the full H1, you expect H2 to be much stronger or versus Q2, which was very slow, you expect the H2 to be stronger?

**Anil Dua:** So we do feel that both Q3 as well as H2 will be stronger than, respectively Q2 and H1, because we think that festivals will herald better things and certainly Q4 last year was a weak quarter. So we certainly feel that second-half and Q3 are going to be both good.

**Avnish Roy:** And the last question on the Dish SMRT Hub and Dish SMRT Kit. So we are seeing already Amazon Fire Stick and the Google thing is anyway available. So what you are doing, what is the differentiation here? Is it being done because the customer wants this anyway, so it is more of hygiene that every player would need to do? Or do you see a real differentiation in your own products, so you can get actually new customers from say, Fire Stick also?

**Anil Dua:** Fundamentally here, if you see while there is a lot of talk about these new devices in the larger ecosystem but there is only a small section of the Indian society who is really able to afford them. With this, with our offerings, we are actually making it available to a large base of Dish TV and D2H subscribers who with their current boxes, can actually enjoy some of the Video-On-Demand experience by connecting their current boxes with our smart sticks. SMRT Stick on Dish TV, Magic Stick on D2H and now Alexa built-in SMRT kit on Dish TV. These enabled their current TV's to turn smart and give them the ability to watch both linear TV through the traditional satellite route as well as watch video-on-demand as required. So this is something which is particular to our base, which only we can do with our kind of large subscriber base and actually take the revolution down to the box set up.

**Avnish Roy:** And so how is the subsidy for this because I think set-top-box will be new, right? You will have to replace; customers will have to replace?

**Anil Dua:** No, that is the point I am making, that people with existing set-top-boxes can just take this Stick from us at a nominal price, the SMRT Stick, Magic Sticks which are not voice-enabled, are at Rs. 599 and the voice enabled SMRT kit with Alexa built-in is at Rs. 1199. So you do not have

to spend Rs. 3,000 - Rs. 4,000 on the new box. You can spend around Rs. 1,000 and have both the works.

**Avnish Roy:** No. But are you subsidizing because it is low price or subsidy is quite limited?

**Anil Dua:** There is no subsidy on these Sticks.

**Moderator:** Thank you. The next question is from the line of Vivekanand Subbaraman from AMBIT Capital. Please go ahead.

**Vivekanand Subbaraman:** Few inquiries on financials, revenue split and content cost that you paid out to the broadcasters?

**Rajeev Dalmia:** Overall content cost was around Rs. 585 crores.

**Vivekanand Subbaraman:** Okay. So it has come down from Rs. 602 crores in 1Q, right?

**Rajeev Dalmia:** Yes.

**Vivekanand Subbaraman:** Okay. And what about revenue split?

**Rajeev Dalmia:** Okay. The subscription revenue is Rs. 792 crores; tariff and bandwidth charges is Rs. 34 crores; and advertisement and performance incentive around Rs. 35 crores; and other operating income is Rs. 32 crores.

**Vivekanand Subbaraman:** Okay. I was asking whether the Rs. 32 crores also includes teleport income?

**Rajeev Dalmia:** Teleport income is not there because it has to shifted back to Zee, because we were teleporting only on behalf of Zee, so now they are managing that piece of business.

**Vivekanand Subbaraman:** Okay. So it is pass through revenue, is it?

**Rajeev Dalmia:** It's not pass through, we had a cost plus arrangement, but the entire piece is now taken over by the Zee itself.

**Vivekanand Subbaraman:** Okay. And the other thing, the payable to Zee, which was around Rs. 276 crore in FY 2019? And what is that number right now?

**Rajeev Dalmia:** We have given them a definitive plan on a month-on-month basis repayment and by March 2020, it will be at a level where both the parties are comfortable and within that acceptable period of 90 days.

**Vivekanand Subbaraman:** Okay. Sir, if I may ask, the cash flow generation has been pretty healthy in 1H FY 2020. So why is it that we are not paying money, I mean, why is the receivables issue still there, if I may ask?

- Rajeev Dalmia:** No, like I explained in the last call also because the entire credit requirement is now funded by us. Bankers are unwilling to fund the LC after Buyers Credit was dis-allowed by Reserve Bank of India. So a large chunk of our money was invested in order to build the inventory for the festive season. That is our inventory also went up in the last quarter. And now when we are slightly comfortable, we have started paying them the past dues, and it will be thoroughly normalized by March 2020.
- Vivekanand Subbaraman:** Okay. And then the inventory that I see in the balance sheet, it is only around Rs. 24 crores? Or is it parked in Rs. 737 crores number?
- Rajeev Dalmia:** Inventory was around 1.4 million boxes.
- Vivekanand Subbaraman:** Okay. And what would the number be corresponding to that, the financial number in the balance sheet?
- Rajeev Dalmia:** You can multiply it by 2350.
- Vivekanand Subbaraman:** My second question is with respect to our cash flow generation and EBITDA. So before the merger, the pro forma FY 2018 EBITDA was around Rs. 2,000 crores that we used to generate. And it is been almost two years since the merger. And the synergy that was being discussed, it does not seem to have flown through in the numbers. Could you discuss this a bit, what has changed in the business that has resulted in the EBITDA being stagnant more or less, over the last two years?
- Rajeev Dalmia:** See, there are other developments also after the merger like the NTO regime, the advent of OTT platform, the carriage which was our strong points where we had anticipated that we would be able to save around Rs. 200 crores to Rs. 250 crores, we are now in a different regime altogether. Then some of it was restrained by the FOREX fluctuation or the rupee depreciation from the day of merger till date because some of our payments like conditional access system, set-top box, satellite, then middleware services and many other software these days, because we are competing with OTT platforms in dollar terms. So which is being reflected in the general administration expense. Though we are able to save money on account of call center, employees, collection charges and some bit of other general expenses but the major part, which was supposed to be low is influenced by macro factors or by regulatory factors, which was not the case when we entered in to the merger deal and when it was concluded. So this is one of the reasons why it is not being reflected. So we are on the track, but it is less on something else which is keeping the EBITDA more or less constant in the last two years.
- Vivekanand Subbaraman:** Just one small follow-up. Is there any area of saving, like, say, the transponder cost or something that is yet to play out that we had envisaged at the time of the merger? And also, right now, we are still running through transponders, right, rather than Dish?
- Rajeev Dalmia:** See transponder saving was never to the extent beyond say Rs. 10 crores - Rs. 20 crores but we cannot work on one transponder because then we would have to realign the Dishes throughout

the country, which has its own problem and cost associated with that. So the transponder will remain the same. The worst part in transponder is the FOREX fluctuation because we are paying the transponders in dollar terms and there is a withholding tax also. So we cannot do much in transponder. We can definitely do in call center employees and we are moving very fast from dealer distributors based collection system to digital-based collection system wherein we can save 0.5% to 1% of the total revenue. So these are some of the items in our hands but definitely not the transponder as on date.

**Vivekanand Subbaraman:** Okay, understood. And last question is with respect to the recent case on the AGR front with respect to license fee demand of the Government that the Supreme Court granted. Do you think there could be a potential chance that the license fee, basis the Government's calculation, could there be a demand on that front also?

**Rajeev Dalmia:** First of all, in our licensing agreement that was signed by the company in 2003. There was no such thing like gross revenue or adjusted gross revenue. It was simply mentioning that we will have to pay a license fee at the rate of 10% and we were accordingly following the terms and conditions of the licensing agreement. And then came the TDSAT judgement wherein TDSAT in 2010 said that, we can pay the license fee basis the adjusted gross revenue that is gross revenue minus taxes, minus front end cost and minus some of the selling and distribution cost. So we started following that as an industry. But then the government went to the Supreme Court and we are all in the Supreme Court but meanwhile, we went to High Court and High Court is also favoring our decision and has directed that we should maintain this status quo and pay as per the TDSAT order so we are following that. So this is about the core part of the AGR versus GR. Now as far as the interest and penalty is concerned, even in the case of the recently announced telecom judgment, it was stated that the interest and penalty will be decided on a case-to-case basis. Fortunately, in our agreement in the licensing part there was no mention of any interest on the unpaid part of the license fee. So we are pretty hopeful that we will be vindicated about this aspect and let us hope when the judgment comes, how we plan basis that.

**Vivekanand Subbaraman:** And the Rs. 3,400 crores worth provision, how much would be the principal amount and interest amounts, can you split that out?

**Rajeev Dalmia:** Again, Rs. 1,150 crores is the interest and balance is the principle.

**Moderator:** Thank you. The next question is from the line of Akash Shah from AMS Securities. Please go ahead.

**Akash Shah:** I wanted to know how is the revenue from customer premise equipment get accounted?

**Rajeev Dalmia:** See, after the implementation of IND-AS, it is on the basis of the apportionment of revenue on the basis of the number of free months given like if I say you pay me Rs. 2,000 and there is a bundling of three months of content then after IND\_AS, we are apportioning the content part in three months, whereas before that it was all in one go at the time of activation only. So to this

extent, our revenue is less in the month of activation and it is spread over the number of months for which content is given at the time of activation.

**Akash Shah:** Okay. And which line item is this revenue is reflected in?

**Rajeev Dalmia:** It is included in the subscription revenue.

**Akash Shah:** Okay. And do we make any profit on this consumer premise equipment, any economics on that?

**Rajeev Dalmia:** No, we are subsidizing it. Across industry, subsidy is around Rs. 1,200 to Rs. 1,500 per set-top box.

**Akash Shah:** Even on the outright purchase, there is the subsidy?

**Rajeev Dalmia:** See, most of it is through service model. Outright purchase is very minimal.

**Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak Securities.

**Jay Doshi:** Can you explain us what is this Rs. 1,300 crores of other financial assets? And also give us an idea of gross debt and net debt?

**Rajeev Dalmia:** Gross debt was around Rs. 1,900 crores or Rs. 1,800 crores and other than LC and bank guarantee, the net debt is Rs. 1,700 crores. We have paid Rs. 200 crores in the last quarter to the bank and we have to pay around Rs. 600 crores more in the next six months. And these other financial asset is coming from last year, wherein there was an agreement between the assigner and the assignees for certain assets which will be paid off when the amount is allocated to the assigner. And we hope that by March 2020, this will be brought to the minimum.

**Jay Doshi:** Sorry, I did not understand, assigner and assignee aspect. So if you could sort of help me understand what that amount relates to?

**Rajeev Dalmia:** See, like there were certain dues to content providers at the time of NTO, because we could not anticipate the amount payable to them. So we paid some money in advance to them leaving other amount as suspense account. So that is how this amount remains payable and some of it is still payable. But as on the definitive agreement reached between us and three broadcasters, we are paying as per that plan and it will gradually reduce and come to a minimum level by March 2020.

**Jay Doshi:** So other financial assets include advance payable is actually advanced paid to broadcasters, did I hear it correctly or referring to other financial assets?

**Rajeev Dalmia:** Well, I am also referring to that. It is in corresponding to the liability also.

**Jay Doshi:** Understood. And what is the normal credit period that you get from broadcasters for content, what should be your normalized trade payables considering the annual content payments of Rs.

2,200 crores, I understand it is high right now for various seasons, but what should be otherwise the normalized number?

**Rajeev Dalmia:** See, we always used to get 90 days, but after the NTO some of the broadcasters said that they cannot provide 90 days. So you can safely assume between 60 days to 90 days on an average.

**Jay Doshi:** Ideally, it should be Rs. 500 crores - Rs. 600 crores versus Rs. 1,600 crores right now?

**Rajeev Dalmia:** Right now, we presume it is 90 days, but at least two of them said it cannot be beyond 60 days. So maybe 75 days, you can take a ballpark figure.

**Jay Doshi:** Okay. And finally, your buyers credit used to be, at least as of March 2019, was some Rs. 250 crores - Rs. 300 crores and you mentioned Rs. 1,700 crores net debt, excluding LC and buyers credit. So what would be LC and buyers credit?

**Rajeev Dalmia:** Yes, LC will be Rs. 125 crores, which is buyers credit converted to LC and BCs will be around Rs. 75 crores.

**Jay Doshi:** Okay. And what was this number maybe a year ago?

**Rajeev Dalmia:** See, year ago, there was a full-fledged LC, so we used to have three months' purchase of CAPEX as LC because we used to get 90 days. So it used to be Rs. 250 crores almost.

**Jay Doshi:** Right. So the Rs. 250 crores of buyers credit that bankers would want to give you at that point of time, it has maybe come down to Rs. 125 crores?

**Rajeev Dalmia:** Buyers credit in total was Rs. 800 crores - Rs. 900 crores because after 90 days that was converted into a loan. So I am talking between LC and buyers credit. LC was Rs. 250 crores but the buyers credit was the entire loan, which is depleted in the last five quarters and now we have only Rs. 125 crores LC and the balance is reflected in the loan amount but we are not getting buyers credit now because of the Reserve Bank not allowing buyers credit to anybody in the country.

**Jay Doshi:** Understood. And the final one, does the Dish Infra subsidiary approach that you took maybe two - three years back, which resulted in substantial reduction in the license fee principle that you have paid since then. Have you received any acknowledgment by the government or from the government bodies that they are agreeable to this arrangement? How does it work?

**Rajeev Dalmia:** We have to file the audit report, which is specifically meant for the license amounts, which has been done on an annual basis. And we continue to pay basis the Dish TV, Dish infra differentiation, there is no letter received from the department. Now, of course, under the net accounting that we are doing as an industry for last two quarters, it is already taken care by the NTO because our turnover is already down from Rs. 6,100 crores to maybe Rs. 3,800 crores to Rs. 4,000 crores because of netting-off the content from the top-line itself. And then when the



payability of license fee comes, it will be on the basis of the revenue, which is the reflected in the Dish TV India.

**Jay Doshi:** Right. But is there some form of confirmation that you received from government? Can they come back to you a few years later? Can they come back to you with claim that this Dish Infrastructure arrangement was not acceptable to them?

**Rajeev Dalmia:** See, we had informal discussion with some of the high officials, so there was no such thing and now we started from 1<sup>st</sup> April 2015, we are already 3.5 year old. So we do not anticipate, but the bigger part is the settlement of the licensing fees which is pending before the Supreme Court.

**Moderator:** Thank you. The next question is from the line of Mayur Gathani from Ohm Portfolio. Please go ahead.

**Mayur Gathani:** Sir you have payables to Zee Entertainment by March, you have a definite agreement with them, you have some payables, as you just mentioned in the other financial assets, plus you have Rs. 600 crores of debt to be repaid, so will we have sufficient cash flows in the next H2 to pay all this or we will have to increase our debt?

**Rajeev Dalmia:** No, we will be buying less of CAPEX in the next six months that is why we have built up the inventory to 1.4 million. We may be using until Rs. 0.7 million - Rs. 0.8 million. So Rs. 0.8 million we will be carrying for the next year and to that extent, the cash which will be used for the payables to the creditors, of course we have already earmarked the money which is from the daily cash flow for the debt repayment.

**Mayur Gathani:** And how much do you see is the debt figure at the end of March 2020?

**Rajeev Dalmia:** It will be Rs. 1,300 crores - Rs. 1,400 crores.

**Mayur Gathani:** The net debt will be Rs. 1,300 crores - Rs. 1,400 crores, that means Rs. 600 crores will be paid as you just mentioned?

**Rajeev Dalmia:** Yes.

**Mayur Gathani:** And what was the free cash flow for the first six months?

**Rajeev Dalmia:** This quarter free cash flow was minimal because of the Rs. 200 crores payout to the Bank. But if you ask me for the six months it will 70 crores to Rs. 80 crores on a net basis, because of the huge loan repayment in the last quarter plus some LC repayment also.

**Mayur Gathani:** Okay. So if you got a higher inventory for this in the first-half, so probably for the next year also, your cash flow should be extremely strong, sir?

- Rajeev Dalmia:** No, next year, our carry-off inventory will be Rs. 0.8 million only, which is not very comfortable. So we will have to build up. But by then, I think bankers will open up and we may get fresh line of credit for purchase of CAPEX.
- Mayur Gathani:** Okay. And you will continue to maintain this EBITDA margins going forward or we can see some increment because you spoke about some savings that still could come in?
- Rajeev Dalmia:** But that is not reflected in the EBITDA margin. EBITDA will continue to be in this range. Rather, we are likely below the guided number, according to which we should have been say 38% - 39% basis the old accounting, but we are okay, we are at 35% - 36%.
- Moderator:** Thank you. The next question is from the line of Partik Barsagade from Edelweiss Securities. Please go ahead.
- Partik Barsagade:** My question is on the TRAI announcement on capping the platform services on DTH services, so I just wanted to understand what percent of the business would be impacted in case this goes through? Currently, what kind of viewership we are having on the owned platform services so just wondered what your take on this thing is?
- Rajeev Dalmia:** It is just a consultation paper and it is a very small part of our value-added services. Let us wait for the finality of it and they are trying to restrict the number of services to 15. But it will evolve, there will be discussions and we will present our viewpoint. We have already presented our viewpoint to the TRAI.
- Partik Barsagade:** Yes, sir, just one more question. So what would be the comparable ARPU for this quarter?
- Rajeev Dalmia:** See, ARPU we stopped declaring after the NTO regime. It will be Rs. 110 - Rs. 115.
- Partik Barsagade:** So that would be calculated, I think last quarter, you had given a comparable number also of Rs 200. So do you have this for this quarter?
- Rajeev Dalmia:** That will be Rs. 200 to Rs. 205.
- Moderator:** Thank you. The next question is from the line of Vishnu K. from JM Financial. Please go ahead.
- Vishnu K.:** Just wanted to know, what is the gross add of subscribers for this quarter?
- Anil Dua:** Gross was slightly above 8 lakhs.
- Vishnu K.:** And the total CAPEX?
- Rajeev Dalmia:** Rs. 175 crores for the boxes.
- Vishnu K.:** Rs. 175 crores for the boxes, okay. Sir, what would be the CAPEX guidance for the year?

- Rajeev Dalmia:** Not more than Rs. 700 crores, because we will thoroughly reduce the CAPEX in the next two quarters and do only the CAPEX for the head-end and save money for the set-top-box because we already got the inventory.
- Vishnu K.:** Okay, sir. And regarding EBITDA, is the EBITDA guidance the same as the previous quarter?
- Rajeev Dalmia:** EBITDA will be more or less Rs. 2,100 crores, upwards to maybe Rs. 2,200 crores but not beyond that. Currently, there is a stress that we see in the rural area, movement that sentiment revise, we will have better ARPU and better package selected by the majority of our subscribers.
- Vishnu K.:** And just a last one, sir what is the license fee provision for this quarter?
- Rajeev Dalmia:** This quarter, I cannot say but in total it is Rs 3350 Crores.
- Vishnu K.:** No. I mean the P&L provision, sir?
- Rajeev Dalmia:** We will let you know, maybe you can come up after some time.
- Moderator:** Thank you. The next question is from the line of Vivekanand Subbaraman from AMBIT Capital. Please go ahead.
- Vivekanand Subbaraman:** My question pertains to the north markets. Now we saw that the broadcasters pulled off their channels from DD Free Dish. So logically, the rural consumers who are accustomed to watching pay content, some of them should have shifted to pay DTH? Secondly, you also had independent TV which had around a million customers and is more or less shutting down its services. So what are your gains in the North markets? You mentioned about the stress in the South markets. So can you talk a little bit about the market commentary North versus South?
- Anil Dua:** So you see, certainly, these were opportunities that you mentioned and that is why that 2.5 lakh odd net gain captures that, but of course, we would have loved it to be much higher, but the fact of the matter is that the price elasticity of the customers in rural areas to pay at least Rs. 153 for even an FTA pack which they used to see absolutely free of cost, is something which not a very large number of rural customers are willing to pay. So since the Free Dish platform does carry lots of other channels and even the vacant slots got substituted with other channels. So lot of rural customers, I think, have adjusted to that new package and have not come in the kind of hoards that we might have expected them to come earlier. But yes, there have been gains there is no doubt about it, we have gained a fair bit in North and in other markets where Free Dish was strong. But as was mentioned earlier that it is also being offset a little bit by some of the price competition elsewhere, where we decided not to really participate in poor quality acquisition. But net-net, as a result of that we have some net adds this year and we are hoping that with consumer sentiment improving, going further, we can still capitalize a little more on the same opportunity.
- Vivekanand Subbaraman:** And can you talk bit more about the South markets? What is the differential in the consumer pricing in the South markets? Also another question that I had in my mind was with respect to

what the customers are paying now post the NTO, now that things have stabilized. What is the consumer spend on DTH services and cable TV services compared to the pre-NTO regime?

**Anil Dua:** So on the South market, you asked me the price points, the FTA priced of course at Rs. 153 but there are paid packs now available in the market from other players which are in the region of Rs. 150. Whereas our paid packs are in the region of Rs. 200 plus. So that is the difference and that is what we have been mentioning. As far as the overall pre-NTO versus post-NTO scenario is concerned, as was said a little earlier, in the urban areas, there are more people who have been able to choose a lower price point and selecting the channels that they wanted and whereas in the rural areas there might have been a little bit of increase in terms of price point. But overall, the net impact on ARPU as Mr. Dalmia just mentioned, has been flattish to downward. So that is on pre-NTO, post-NTO I think, every person has found its price equilibrium either choosing fewer channels at a lower price or more channels at a slightly higher price. One of the figures that I remember we have quoted earlier so I do not have the latest update, but we had seen a few months back that about 40% of the base had chosen a higher price point and worth 60% of the base had chosen a lower price point.

**Vivekanand Subbaraman:** And what percentage of your customers are on South pack?

**Anil Dua:** So between the two brands, the number is like 24% - 25%, I would say 24% or so.

**Vivekanand Subbaraman:** And what about the Active HD customers, what percentage of the base comprises that?

**Rajeev Dalmia:** Active will be around 18% to 20%.

**Moderator:** Thank you. The next question is from the line of Akash Shah from AMS Securities. Please go ahead.

**Akash Shah:** In the annual consolidated P&L, there is revenue from infra support service, like what is this revenue relating to?

**Rajeev Dalmia:** It is for the activation of set-top-boxes.

**Akash Shah:** Activation of set-top-box, which is spread over the duration of the contract? So you spread it over what period of month?

**Rajeev Dalmia:** Generally, about 50% of the packs that we sell or provide is one-month. Spreading is only when it is bundled for three months or six months.

**Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

**Jay Doshi:** Is it reasonable to assume that other financial assets and trade payables will offset each other to a large extent by end of this year?

- Rajeev Dalmia:** Yes, absolutely.
- Jay Doshi:** So where do you expect your trade payables to be as of March 2020 and other financial assets as well?
- Rajeev Dalmia:** They will remain at Rs. 400 crores or Rs. 500 crores.
- Jay Doshi:** Okay. So it will come up by more than Rs. 1,000 crores. And just likewise, other financial assets have also reduced to the Rs. 200 crores - Rs. 300 crores, which it used to be earlier, right?
- Rajeev Dalmia:** Absolutely.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Just a clarification. Now we did mention that we know the DD Free Dish post-NTO, there have been a decline in their subscribers. If I got you right, there are still some subscribers who are on DD Free Dish, but they are still watching may not be those channels by broadcasters which were offered earlier, but some other channels, is that right?
- Rajeev Dalmia:** Yes, though they came down for some time but what we see, this is because of the rural distress, again, there is a rise in the number of subscribers of Free Dish because some of the guys in that arena are okay with whatever is coming, it will be on, and that is all. Whatever is coming we are happy. So once this rural distress goes off then they will switch to pay DTH or maybe they will subscribe to pay DTH, for which they already have the set-top-box, either of Dish TV or any other cable operator or may be the DTH operator. So like earlier, it used to be say 24 million - 25 million, it came down by 1 million or 2 million, but now again it has reached to 25 million - 26 million.
- Ankur Periwal:** So the net reduction has been only 1 million, that is it?
- Rajeev Dalmia:** 1 million or 2 million, because most of the guys who see this Free Dish, beyond say 10% - 15%, for them whatever is available they are okay. They are okay with the news, they are okay with the regional entertainment, or channels which are not paid. And you have five-six movie channels still in the DD Free Dish, so they are okay.
- Ankur Periwal:** Sure. And so far, out of the 24 million odd net subs that we have, how much will be HD because in between we were trying to push HD incrementally so any thoughts on that?
- Rajeev Dalmia:** Yes, we have around 18% to 20% HD, but now we are slightly less pushing on HD because for HD new box, we are okay. But replacing the old box with a new HD box, the subsidy was quite high. But if anybody wants to buy HD, we welcome that because the price difference between the SD and HD is now very minimal. But earlier in the last three - four years, we used to replace at a very nominal price, so we created a huge subsidy on two accounts - one was when we

provided the SD box; and the other was when we provided the HD box that we have slightly less.

**Ankur Periwal:** Sure. And will it be fair to say that 1.3 million - 1.4 million set-top-boxes that we have, majority of that will be HD only?

**Rajeev Dalmia:** Yes, because now a days whatever we buy is mostly HD and we have one HDMI cable facility, so it can be easily converted into HD box.

**Ankur Periwal:** Sure. Sir, one more thing on the depreciation part. Now, if I remember it right earlier, you had mentioned that there was an accelerated depreciation we were taking to clear off the older inventory, writing-off the set-top-boxes which are inactive for long. But this depreciation number has not been coming down. Any specific reason? Is there a change in policy there? Or is that accelerated depreciation still continuing?

**Rajeev Dalmia:** No. After IND-AS, the accelerated depreciation is not applicable. But we must also remember that this depreciation figure also reflects the depreciation in the rupee. So to the extent, the set-top-box we have financed by the foreign currency loan, we have to align it with the currency rate which is very fast. Whatever said and done around 7% - 8% depreciation of rupee is happening every year. So apart from the normal wear and tear, which is say 20%, this is also a factor.

**Ankur Periwal:** Sure. And sir, just one last clarification, if I may. Now that trade payable that we have, it is largely content costs.

**Rajeev Dalmia:** It is Content costs, 1.5 months of transponder costs, some general administration and maybe 1.5 months to 1 month of call center costs.

**Ankur Periwal:** Sure. And you know the other financial assets, which we were discussing earlier as well, this you mentioned is advanced for content?

**Rajeev Dalmia:** This is exclusively for content only, there is no reflection of call center or a general administration or transponder in the financial asset part?

**Ankur Periwal:** So if I got it right, there are certain cases where we have an advanced content coming? And there are certain cases wherein the credit period for content is probably much higher?

**Rajeev Dalmia:** It cannot be that way. Se, there was an agreement between a third party, us and may be content provider wherein the unpaid part of the content which was indeterminable because of the onset of the NTO, was put into a separate account and now that has been depleted on a month-on-month basis then there is clarity in the scenario that how much was payable, what was the rate applicable? How much discount we are getting? And how much incentive we are eligible for? We are depleting and that is how I said that, we have a definitive plan of repayment for three broadcasters. So by the end of this financial year, we will have the minimum of trade payable and minimum of these financial assets, maybe Rs. 400 crores, -Rs. 500 crores.

**Moderator:** Thank you very much. That was the last question in queue, I would now like to hand the conference back to Mr. Tarun Nanda for closing comments.

**Tarun Nanda:** So thank you once again, ladies and gentlemen. We will soon have the transcript of this call on our website, [www.dishtv.in](http://www.dishtv.in). We look forward to speak to you again. Thank you and have a great day.

**Moderator:** Thank you very much. On behalf of Dish TV India Limited, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

**# This transcript has been suitably edited for ease of reading**

