



DISH TV INDIA LIMITED

1Q FY19 EARNINGS TELECONFERENCE July 10, 2018, 05:30 P.M. INDIA TIME

Moderator: Ladies and Gentlemen, Good day and welcome to the Dish TV India Limited Q1 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tarun Nanda from Dish TV India Limited. Thank you and over to you sir.

Tarun Nanda: Very good evening ladies and gentlemen and thank you for joining us for the first quarter FY19 Earnings Conference Call. Apologies for the postponement at the last minute yesterday. We are here to answer all your questions with regard to the Earnings. We have with us Mr. Jawahar Goel – the Chairman and Managing Director of Dish TV India Limited, also Mr. Anil Dua – the Group CEO and Mr. Rajeev Dalmia – the Chief Financial Officer.

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 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.

I would now request Mr. Anil Dua to address the participants.

Anil Dua: Good evening ladies and gentlemen and thank you for joining us today.

It is my pleasure to report the first quarter fiscal 2019 consolidated results of Dish TV India Limited.

Subscriber additions picked up speed during the first quarter. The net number of 301,000 additions were positively impacted by a sport heavy programming calendar. Ramadan on the other hand moderated the additions in line with past trends. The total closing net subscriber base therefore stood at 23.3 million at the end of the quarter. 44% of all subscriber additions were of high definition in total HD subscriber form a promising 17% of the total net base of the company.

Operating revenues for the quarter was Rs. 16,556 million up 8% quarter-on-quarter. Subscription revenues for the quarter increased 8.1% Q-o-Q to Rs. 14,893 million. ARPU for the quarter leaped to Rs. 214 from Rs. 201 in the previous quarter. EBITDA for the quarter stood at Rs. 5,568 million. EBITDA margin was recorded at 33.6%. Incrementally higher HD viewership, lower discounts at package levels and the price hikes across the majority of recharge

packages gave a fillip to subscription revenues during the quarter. Pricing power by way of price hikes is a positive sign that should stand us good stead in the year ahead.

Integration across functions post the merger is almost complete and we remain optimistic about achieving Rs. 5.1 million synergies that have been guided for the full year.

The TRAI tariff order came into force on July 3, 2018. Dish TV is in talks with various stakeholders.

Dish TV India Limited sees the regulation to have the potential to minimize discriminatory pricing by ensuring a level playing field between cables and DTH platforms. At a more macro level there are clear signs of robust consumer demand continuing and fortifying the Indian consumption story of which Dish TV should be a natural beneficiary.

This year is going to be the year of change at Dish TV. Change for the good.

Whether it is our systems and processes or our approach to sales, service and marketing or for that matter our customer and vendor relationship or our products, everything is going to be viewed through the lens of excellence and efficacy. We believe that we are well placed for superior growth and profitability going forward.

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

Moderator: Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have three questions. My first question is I wanted to understand with this quarter you guys had a very good ARPU hike, how should we look at the sustainability of this going forward particularly in light of all the OTT Apps which are giving almost free content and that perhaps continuous?

Anil Dua: To your first question we had indicated in the previous earnings call that we are looking at a guidance of 7% to 8% revenue growth. This was on back of both the net additions going up as well as ARPU going up. So, the numbers that you are seeing are in line with that guidance and we expect that the ARPU increase is sustainable and this will ensure that we meet the guidance we have given for the year.

Sachin Salgaonkar: So you are not seeing any impact from the OTT Apps?

Anil Dua: The OTT Apps have been around for some time and we also have our OTT plans going forward. OTT Apps impact maybe there, but there are other things that we are doing. So there are several factors which offset each other and therefore we do see that we should be able to sustain this ARPU.

- Jawahar Goel:** On OTT you know that there is a Pay wall and it is not free. The individual broadcaster's OTT do not sufficiently fulfill the requirements of the consumer, Star has their own, Zee has their own and Sony has their own. So they are using it as a B2C platform but is not coming for free.
- Sachin Salgaonkar:** Because I thought that once you have a mobile connection you get it for free everything is free. Even the apps like this Jio TV and Airtel TV are giving those apps. All the TV channels for free.
- Jawahar Goel:** But you know that Netflix is only half a million in the country for so many years and that is a different content which is not available on linear broadcasting. If somebody wants to watch pornography, then obviously we are not a vendor for that.
- Sachin Salgaonkar:** I get your point. I was mainly looking from a Hotstar and Sony TV content perspective.
- Jawahar Goel:** HotStar content on TV is censored and when it comes on Hotstar then it is uncensored. Then you probably can get to watch it on American standards. Frontal nudity is allowed or something like that.
- Sachin Salgaonkar:** Second question is on Reliance Jio. Clearly, we did see some announcement coming at the AGM talking about the fiber rollout, I just wanted to understand from you guys how should we look at the impact from such rollout over a medium to long term. I understand in the near term there may not be any impact.
- Jawahar Goel:** Well this will be a question from everybody and the Fiber To Home takes a long time. We had time and again made a study that our team of installers can do maximum three installations in a day whereas on Fiber To Home, a team will probably take three days to install a single home connection. So it is a slow one and one has to live with that. Number two, the consumption of television in some homes, I can agree that for people like you and me, or anybody around this conference call, this is a relevant product. But televisions in most houses are meant for family viewing. When the question comes on paying Rs. 200 for all the channels on Fiber To Home, I had spoken to a few broadcasters and asked them whether they have given content which can be sold at Rs. 200. Some of the broadcasters said that they only have a contract for the small screen and specifically the bigger screen contract is barred as far as Jio is concerned. I asked them to issue a statement to that effect, addressed to all the stakeholders in the distribution space whether it is DTH or Cable. I will pursue with them to issue a statement. If we get the letter of confirmation from them then that should satisfy for the time being.
- Sachin Salgaonkar:** Last question is for Dalmia sir. Any one-off's in the quarter, and can you quantify the impact from Ind-AS on various revenue line items?
- Rajeev Dalmia:** Yes, there is an impact of around 15 crores due to Ind-AS 115. We have deferred revenues to the tune of Rs. 15 crores to the next few quarters because of the applicability of ind-AS-115. If that was not applicable, then our subscription revenues would have been Rs.1505.
- Sachin Salgaonkar:** Is it only impacting subscription revenues or also any other line items?

Rajeev Dalmia: Actually, it is impacting activation revenues which are a part of subscription revenues. There is no direct impact on the recharge revenue.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: Can you please help us with the split of the revenue, and also delve a bit on the accounting policy for the set top boxes after the merger? Can you please shed some light on how you account for the set top box- How do you receive it over a period of time, and whether there are any changes on the depreciation? Secondly, you spoke about price increases- but the Bharat Pack that you have continues to remain at Rs. 100 a month including taxes, and there have not been any price increases there. I see that you have taken price increases in all other packs, and if I look at the a-la-carte data that you gave, you mentioned that you have 2.4 million customers now. Six months back, you had only 1.3 million customers. So is there a situation where you are taking price increases, but more people are moving to a-la-carte channels, and therefore you are not able to really pass on the price increases? How should we think about the ARPU movement through the year?

Rajeev Dalmia: First there is split of revenue. Subscription revenue 1490, lease rental 25 crore, teleport 5.5 crore, bandwidth charges 39 crore, sale of CPE 48 crores, advertisement and other operating income 48 crore, which comes up to a total of 1655 crores. In terms of accounting, we have aligned our accounting post the D2H merger- they were depreciating the box in 7 years. We have started depreciating it in 5 years and the impact of Ind-AS 115 on the merged entity is around 15 crore. So 15 crore revenue is deferred in the next two, three quarters based on the bundling of content with the box and this will continue in the ongoing quarter also. In terms of other activation revenue and subscription I feel there is no change. As far as goodwill and customer relationship is concerned we continue to abide by the company standard for the same.

Anil Dua: On the price increase I think you mentioned that we have not taken a price increase on the Rs. 100 pack, which is true, but we have taken very aggressive price increases and we were the first ones to do that. On all other packs like the Swagat Pack, which has gone up from Rs. 199 to Rs. 209, or the Super Family Pack, which actually accounted for 90% of the increase, was Rs. 283 initially, and went up to Rs. 299. Maxi Sports went up from Rs. 342 to Rs. 350. On the lower end, the majority of sales were in Swagat Packs where we not only took up the price from Rs. 199 to Rs 209 which was bold and aggressive considering the market situation early this quarter, but we also took a price increase in our HD variant of that pack, which was at Rs. 209 in January this year, from Rs. 199 to Rs. 209 which has 7 HD channels that we took up to Rs. 229.

So actually, we have been pretty aggressive and after our price increase over the quarter, the other players in the industry have followed and they have also looked at us and then taken price increases two or three months down the line. So, this price increase clearly, as we had mentioned in our release also, shows some brand and pricing power around our brands, both Dish and D2H.

Vivekanand Subbaraman: But then how do you read this trend of the a-la-carte usage growing to 2.4 million, which is almost 10% of your customer base? Is it because of these price increases that the a-la-carte usage is growing? How should we think about this?

Anil Dua: You see, this a-la-carte pack is not a base pack. This is an add-on pack which you pay for on top of the base pack that you have. So let's say somebody has a Bharat Pack of Rs. 100. He finds it probably difficult to go up to Rs. 199, but we can always ask him to buy two or three a-la-carte packs, pay Rs. 30, and at Rs. 130, he can watch much more content than he was otherwise watching. This is therefore consistent with the fact that while Mera Apna Pack and Mera Wala Pack on both the platforms is going up, reaching the figure of 2.4 million as you rightly said, it is not leading to any down gradation.

Jawahar Goel: It is actually leading to revenue going up, and it is also in line with the new tariff order, which expect us to sell each channel on an a-la-carte basis. We had started doing it from the past four to six months, it is delivering happy results, and we will continue to push that property.

Vivekanand Subbaraman: There is one follow up question if I may ask on the content front. So, just to understand on a Q-o-Q basis, the cost of goods and services has not changed much, despite this being a sports quarter. Also, seeing an improvement in ARPU- any color on that, and the status of the negotiations and how it ties up with the synergy that will be very helpful?

Rajeev Dalmia: See the full benefit of content synergy has not come in this quarter, but it will be evident from the current quarter and subsequent quarter. We have been able to maintain the costs because there were synergies in other costs which were part of the programming cost.

Vivekanand Subbaraman: And what proportion of the cost of goods and services would be pure content cost?

Rajeev Dalmia: I will come back on this.

Moderator: The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Sir, regarding the ARPU increase during the quarter, it is a fairly strong increase. I understand that you talked about the increase in the prices, but earlier we have seen that the price hike takes about two or three quarters to fully flow into our ARPU numbers. So what was different this time? I also wanted to understand how important was the other drivers of the ARPU, first of all HD and also IPL?

Anil Dua: Yogesh, you are right. Price increase does takes some time to sink in, but since we took it at the beginning of the quarter, we have seen the benefit coming in the second month partially, and fully in the third month. Also, this is only one part of the story why ARPU has gone up, there is also the reduction of discounts. You know we had pay terms and other activities as certain levels of discounts. This was there on our website. Long time back we used to have the 3 pe 4 offer, but we had changed that sometime during last year to say 10% discount on somebody buying for three months and more.

Now, that has actually gone down starting 1st April. You can see it on our website which shows that it is 7 days free on 90 days. So that is clearly less than 10%. This is just one example to bring flavor to what I am saying. So discounts have gone down, prices have gone up and then upgrades from lower packs to higher packs have gone up. There has been an increase in add on pack sales, HD add on packs, Mera Apna Packs, and a-la-carte Packs which have gone up there were definitely some increases there because of IPL, which I spoke about sometime back. So there are people buying sports channels especially during this quarter, so that is also an immediate impact during the quarter itself.

Yogesh Kirve: This year the IPL matches were only there on the sports channels unlike the previous year, so if you look at this number, is it safe to assume that this could be a base number for the subsequent quarter as well? So the seasonal factor should not be so high?

Anil Dua: Seasonality is there, but certainly this is mainly representative of what we have achieved during this quarter. You stated that the full impact of price increase will only come in subsequent quarters, so obviously in a quarter or two, we will see the full impact of price increase. Besides that, we have also taken an increase in the box prices by Rs. 200. We will see the full impact in the coming quarter because that was taken late in this quarter.

Yogesh Kirve: My second question was regarding the underlying trend in the operating cost. I understand in the previous quarter, there was certain one-off related to the merger, so I wanted to understand whether there were there any one-off's in this quarter in the operating cost?

Rajeev Dalmia: There was only one item which was one-off which was the FOREX loss of around 21 crore because of the depreciation of rupee. Whatever loan which was unhedged was provided for, so that amounted to 21 crore. Apart from that there was no one-off. It was a fairly regular expense.

Yogesh Kirve: So I understand we had this arrangement of transfer of D2H Infra business to Dish Infra. So would that have led to any savings in the license fee?

Rajeev Dalmia: That was done from 31st March, 2018. Whatever license fee provisions were there in the erstwhile Dish TV and Dish Infra were also applied on the merged company and the merged infra company also.

Yogesh Kirve: So is it safe to assume that considering that the business which is transferred during the quarter was having a revenue of about 350 odd crore. So the benefit would be to an extent of about 30 crores, 35 crores compared to fourth quarter?

Rajeev Dalmia: Business which was transferred was not 350 crores; it was around 225 to 250 crores. So the net gain was around 25 crore.

Moderator: The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.

- Mayur Gathani:** I wanted to dig more on the a-la-carte customers- you are saying on Bharat Pack, let us say the base pack is Rs.100. So they add on packs and they go by individual channels, whereas you have deals with this contents provider on a fixed fee basis. How does that work?
- Anil Dua:** Mayur, you are right. People can add or buy channels. So that is why Jawahar Ji just said that this is an advanced implementation of the tariff order, where basically customers can choose any channel, and therefore whichever base packs they are sitting on, they can pick a few channels that they do not have, pay about Rs. 10 for it, and get that channel added to their subscription. So, in terms of content deal with broadcasters, this is something that the broadcaster is watching very closely, because this is throwing up some interesting findings. Certain broadcasters are becoming uneasy with the findings, because it is throwing up viewership data and is showing which channels people are actually choosing voluntarily. So this data is not only useful from our revenue perspective, but also from our cost negotiation perspective.
- Mayur Gathani:** You still continue to have fixed content deals with the broadcaster, right?
- Jawahar Goel:** Yes there is a deal with the broadcaster for fixed fees, but we do not mind pursuing this new concept. Our deals are short term as of now. We are expecting broadcasters to come out with their tariff as per the new tariff order, which is now effective from 3 July. We are preparing ourselves by talking to broadcasters and stakeholders, about their MRP pricing.
- Mayur Gathani:** Can you quantify what is the synergy amount benefit this quarter that we saw in the numbers overall? You had specified 510 crore for the full year. Can you quantify it for this quarter?
- Rajeev Dalmia:** On a quarter-on-quarter basis maybe after 6 months we can provide that is after September quarter.
- Mayur Gathani:** You just mentioned Jio could be a threat for a much longer perspective, but for a short term because the time taken for them to get a fixed line connectivity to individual house it is still long way. So, we should not be much worried on that front?
- Jawahar Goel:** Yes absolutely.
- Moderator:** The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.
- Vikash Mantri:** Sir, what is the average ARPU of the consumers who are on a-la-carte? Is it lower than the company average or higher than the company average? Second question is, can you help us explain the effective license fees post the accounting changes that would have happened taking Videocon numbers also similarly passing through Dish Infra? Third point is can you explain to us the changes in lease accounting that lease rental accounting that would have started by now?
- Rajeev Dalmia:** As far as lease accounting is concerned, we have all aligned our revenue stream based on Ind-AS 115 which means that whenever we are selling a set top box or providing it on rent, we apportion the income based on the bundled offer which is provided to him. Suppose we provide three-month content with the initial activation charge- the revenue will be apportioned over a

period of three months, and because of that, a sum of Rs. 15 crore was deferred in this quarter to the subsequent quarters. The lease rental income which was provided by Videocon in their erstwhile regime will continue to be exhausted in the natural course because it was part of the contract with the subscribers and we are not changing that.

Vikash Mantri: So sir it is not similar to the lease rent which we used to have ourselves where we used to amortize it over three years and five years later, so it is not that kind of a thing this will get amortized over three months itself?

Rajeev Dalmia: That is the suggestion given by the auditors and I think the industry will also follow it. More than 60-65% of the sales on activation basis or activation charge is on one-month basis, but 35% is on three months, six months and twelve months. So, there will always be deferment for the cost sold for three months, six months and twelve months.

Vikash Mantri: What is the component of activation income that you are booking per box?

Rajeev Dalmia: It is around Rs. 925 but if it is for three months then it will be 925 divided by three.

Vikash Mantri: Going ahead on the license fee and ARPU?

Jawahar Goel: Vikash, on license fees there has been a discussion in the government at the highest levels and earlier, a cabinet note had been dropped. They are now preparing a new cabinet note for 8% AGR receipt that has been worked out and they will call all the stakeholders. So hopefully in the next two to three months, we will get some positive report on this. Our license has been extended provisionally last week, because it wasn't extended since December.

Rajeev Dalmia: ARPU is calculated based on the average revenue collected only, and we cannot differentiate between the a-la-carte revenue and the package revenue because there are seven to eight items like value added services, movie on demand, a-la-carte pack, reactivation charges, regular recharge revenue included in the subscription revenue. So it is a combination of the entire subscription revenue derived from the subscriber divided by the number of months by number of subscriber.

Vikash Mantri: Sir, I was asking whether you have segregated these 2.4 million subscribers who are opting for a-la-carte? What is the average ARPU of these subscribers? Is it higher or lower, because the way I interpret it is that this is an initiative where we are adopting the new tariff order, and clearly whatever these ARPU's are, will set the trend for the company going forward.

Rajeev Dalmia: Definitely it is not lower, but suppose you ask me that Rs. 99 plus three packs it will be lower than the average.

Rajeev Dalmia: But there are many people who are taking a-la-carte packs even on higher packs. It is across segments that people are opting for Mera Apna Pack. It is not that a person downgrades and then takes a few channels - that is not how it works. How it works is that you are at a particular pack, and you add on additional channels you want to watch.

- Jawahar Goel:** We have put Ten Sports on Mera Apna Pack. So the revenue after paying to the broadcaster was positive, whereas it was a part of content growth. Despite an event like FIFA, we still had a positive revenue. So this gives us a tool that if we are not able to negotiate the content with the broadcaster, we can immediately sell it as a-la-carte and the broadcaster knows that pull of their channels and that content. So this initiative will give us really aid that we are on the right side of the law. We are the only company amongst the distributors, cable, and DTH to have taken this initiative, and we see a good result coming out of it.
- Moderator:** The next question is from the line of Dipesh Mehta from SBICAPS Securities. Please go ahead.
- Dipesh Mehta:** Just want to get couple of data related clarification. If we look at this quarter, interest cost has significantly increased. I think initially you indicated about FOREX loss of around 21 crores. Even if one adjusts that number, it seems to have increase sizably in this quarter. If you can help us understand how much is related with the contingent liability related provisions out of that, and how much is real increase kind of thing. Second question is whether you can help us understand about the CAPEX incurred during the quarter and plan for the full year. And then I have a question on debt related position. If you can help us where we are at the end of the quarter?
- Rajeev Dalmia:** The gross debt was Rs. 2750 crores and the net debt is Rs. 2200 crores. The CAPEX during the quarter was Rs. 190 crores and in interest costs, yes, there was one item which was an exception. We paid around Rs. 40 crore as one-time fees for prepayment charges of loans, for loans for the D2H platform.
- Dipesh Mehta:** Just on debt part, if let's say one adjusts 20 crore of FOREX loss in other expenses, then there is a sizable dip in other expenses, maybe including employee expenses. I understand there was a one-off of about Rs. 60 crores last quarter, but even after adjusting these two things can you help us understand what one should look at?
- Rajeev Dalmia:** Although we have not disclosed the synergy figure, but there were synergies in employee cost, warehousing cost, transport logistics, call center and other general administration like travel and tourism wherein we adopted a new policy. So, the saving was reflected in the other expenses. Apart from that, I do not think there was any other exceptional items in other expenses.
- Dipesh Mehta:** What would be the interest cost which we have now compared to what it was earlier?
- Rajeev Dalmia:** The average will be around 8.5% which has moved up from 7.5% earlier because rupee loan which we have borrowed is at 9% so the average including the hedge cost will be 8%-8.5%.
- Dipesh Mehta:** If we adjust it for 40 crores this is broadly likely to be the interest cost going forward.
- Rajeev Dalmia:** There is one item which is provided for on the license fees. That will keep on fluctuating this is the provision made in the books of accounts.
- Dipesh Mehta:** Is it possible to give last year what was that number, because quarterly I think you might not be having that number about license fees provision and interest outgo?

Rajeev Dalmia: No, I have the number. This quarter we have provided for Rs. 55 crore and last full year it was Rs. 1375 crores

Dipesh Mehta: And sir last question is, can you help me understand what would be the effective tax rate one should build or expect going because that is one of the volatile item. If you can provide some color?

Rajeev Dalmia: We are now in MAT only. We have paid around Rs. 5.25 crore in this quarter and for the whole year it will be around Rs. 20 crore to Rs. 25 crore. We are not in a full-fledged tax environment because of the brought forward losses from the merged company.

Dipesh Mehta: So around 20, 25 crore is likely to be tax outgo.

Rajeev Dalmia: Yes.

Moderator: The next question is from the line of Avinash Kumar from Moon Capital. Please go ahead.

Avinash Kumar: I have a couple of questions. The first would be - what is the management view on the on-ground implementation of the TRAI order, given that now TRAI has come out with a press release stating the timelines? By when does the management anticipate the actual on-ground implementation to start, and do you also expect any further legal hassles to come up that given that Star has filed a caveat in Supreme Court? Second part of the question would be how would the whole distribution industry be changing post this TRAI order implementation?

Jawahar Goel: You see, we are in a democracy where anyone can go to the court. Even after such a lengthy battle, we do not know whether the Supreme Court will intervene in this. If's and but's will always remain. Number two, the biggest differentiation comes in terms of pay channel costs and the carriage fees. This was a private negotiation which used to happen between the pay channel and the distributor. Now in the new tariff order, the discrimination will not be there. Just to give you an example, Arasu Cable in Chennai are running their network on analog. Broadcaster goes to them and asks them to run their channels, so that they can earn advertisement revenues. So if Dish TV is paying Rs. 30 to a particular broadcaster for each subscriber on the platform, their revenue is even less than Rs. 1 per subscriber. So, this discrimination should go away theoretically, and we will wait. Otherwise, Dish TV with its D2H platform, is shifting the D2H platform to the South, and for that we will have content negotiation for Southern channels or the proper channels and other channel which are not relevant will not be shown, and then we will pay the different pricing. So, the broadcaster will ask 15% of what we are paying to them currently. They will give us the content that 15% of what we are paying for per subscriber basis on which we are working out. Let us see - give us one or two quarters to put it in place.

Avinash Kumar: I understand this will obviously bring in transparency for the overall industry which is good in the medium-to long-term. What I basically want to understand from you, because you are negotiating with the broadcasters and talking to other industry players as well- by when can we expect the on-ground implementation to start off? Let us say maybe by fourth quarter of FY19,

and then the numbers start flowing in from first quarter of FY20? Is that the timeframe we can look at when the tariff as a package gets implemented?

Jawahar Goel: In the TRAI tariff order, there is a timeline that has been provided. Apart from that, they have given extension in its date, during which the tariff order was under court stay. Those are the grace days, but each distributor has their own commitment towards this tariff order. Dish TV has been committed and we had implemented partly, and we will continue to do that. It is up to the rest of the industry if they want to implement. Once they want to implement, and they implement it, TRAI has to take action against them.

Avinash Kumar: Second part of the question. We have discussed Jio also earlier in the call, but I will be specific here. Jio has plans to become a triple play service provider with cable, broadband, and VOIP combined together. So how do you see that threat coming along- I mean Jio threat panning out in the medium-to long-term, and how do you intend to take counter measures so that this threat does not magnify and eats away into your consumer base? Why I am saying this is because from a consumer point of view, I will be more than happy if I can pay to one provider and it takes care of my bills for the cable, brand band and VOIP combined together. I do not pay bills to three different service providers. So, given that convenience how do you see that threat panning out and measures you intend to take to counter this threat?

Jawahar Goel: Well this question should be asked from the analysts who, when the DAS was happening, were very gung-ho on the cable company and on triple play and DTH companies like us were beaten down by the market. So, the triple play was the foray for cable TV companies, their wire is going in the home, but they could not do it. So, I think that the urban population and rich people will have, maybe upper middle class will have this kind of facility, but we should also not forget that we have families living in the semi urban and rural markets. So we will see. And as I mentioned in the first answer during the Q&A, the broadcaster says that the content shared or licensed to Jio is only for small screen, and it is not available for the bigger screen. So, let's see. I told them to issue a statement, and I am expecting a letter from them.

Avinash Kumar: That should provide comfort to the investors. Just a last bit- Do you think this Jio threat is more magnified for the MSO industry compared to the DTH industry given that Jio has this FTTH launch plans?

Jawahar Goel: No, it will definitely have an impact on the subscribers. Service providers in cities like Bombay, Gurgaon and other high rise cities including the top 20 to 30 cities, will be impacted, and it should be a welcome impact.

Avinash Kumar: So what I understand basically is one will be the timeline issue because you need to gets its fiber backhaul ready to launch it and secondly, you feel that your rural semi-urban base will kind of save you from a direct competition from Jio if my understanding is correct?

Jawahar Goel: When we started Dish TV 13 years back and that time we were calculating IPTV to have 5% market share, and in 13 years IPTV could not attain any market share. Now it is almost after a

decade this story is catching up, and it should happen. But most of the homes do not have broadband connections. They consume content from their mobile phones for personal viewing, but we will see as and when it goes. I don't want to make a statement.

Moderator: The next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: Just couple of questions from my side. Firstly, on this TRAI tariff order, there are a set of QoS which every DPO is supposed to comply with. So Jawahar ji, what does this mean to the industry and what does this mean to Dish TV? Will it not take the cost up if they have to be complied fully and how are you going to address this over the next couple of quarters? Second, is there clarity around 15% rule because TRAI press release does not clarify that? What is your reading on that? And thirdly, you rightly mentioned about Jio that they will need to enter into a different contract with broadcasters for internet streaming. Will the TRAI tariff order apply to them or will they be applicable for higher cost, because TRAI tariff order kind of caps the cost for the prices for broadcasters, so will this rule apply to them, in your understanding?

Jawahar Goel: If you read the first para of the Tariff Order it says internet as well. It applies for the HITS, DTH cable and IPTV. So the tariff is non-discriminatory. If anybody is paying higher than me then they will get advantage and if somebody is paying less than me then I will take advantage of the pricing. So this is one answer which I will give you. Number two, on QoS, we are still checking it. There was a QoS issued way back in 2015, which was not implemented. TRAI gave a statement in TDSAT that they are not pursuing it, but I hope that next week they are mentioning the matter, and we will suitably argue our matter and our demand. As far as the compliance cost and non-compliance is there, the bigger non-complier is the pay broadcaster, and they have never been penalized by TRAI. So we have become sandwiched between the broadcaster and the consumers. Our chance of getting penalized is very low.

Rajiv Sharma: So will there be a cost increase for you, when you start complying with the QoS norms?

Jawahar Goel: I think we almost we are in-line with whatever quality of service norms are there and plus, we have been subsidizing our set top box. So that is why the compliance will give us the way that we start doing business in that fashion. I think we have to fall in line with what they have said. If not then we will go back to TRAI and agitate our matter.

Rajiv Sharma: And what is your reading on the 15% rule where the Chennai High Court mentioned it arbitrary? With the tariff order now coming from TRAI is that getting implemented? What I am trying to understand is on the QS or DPO side of the industry, there has been hesitation. The 15% rule makes life easy for the broadcaster, so what is the tariff order then because it is the summation of these two things only?

Jawahar Goel: I think in the non-discrimination there is so much of gap. We are happy even if we do not get this 15%. So, we are not counting 15% for the time being and the High Court has said that it is arbitrary. Arbitrary means that there is no basis of 15% - It can be 16% or it can be 14%. TRAI

has to rework it and re-notify it. So, we are not accounting on that for the time being because there is lot of flesh available for us even without the 15% clause.

Rajiv Sharma: One last question from my side is what is your single largest concern arising out of this tariff order?

Jawahar Goel: I think it is an opportunity, because the pay broadcasters, they never used to meet you. They only come to sign a contract for a yearly, two yearly contract and then we do not see them. So, I think it will create a partnership kind of a life going forward, and if they want to earn that revenue they have to sit with us and do the marketing of their content. So, I think it will be a partnership model.

Rajiv Sharma: So, there is no concerns as far as Dish TV is there?

Jawahar Goel: I think this concern is not for the DPOs. MSOs may have a concern on losing out on carriage revenue, that maybe a concern, but on DTH there is no concern.

Rajiv Sharma: One quick question on financials. So 33% margins this quarter. Do we still have synergies left or we think that we will be best case able to maintain this 33% for this fiscal?

Anil Dua: So we had guided for 34% to 35% EBITDA Rajiv, and this 33% is a clear indicator that we are in the right direction. So it's our endeavor to accelerate it further.

Rajiv Sharma: Next quarter will ARPU come a little bit down because of sport packs and IPL baked into the ARPU numbers? During this quarter, how much of this increase in ARPU to Rs. 214 is derived from activation, because you took this Rs. 200 hike on the box prices?

Jawahar Goel: This is a never-ending discussion on ARPU. Our team 100 of people keep on doing the exercise to get extra penny from the customer's pocket and let us wait for the next quarter.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: Did you share the metrics on churn because I missed that and secondly just wanted an update on DD Free Dish what is going on there anything you heard from the government and the tariff order discussion that you had right now why is it that one of your competitor DTH players is also opposing the tariff order because if I understand correctly the a-la-carte subscriber based seems to be on a lower ARPU level because you mentioned 100 plus some channels. So why are you so enthusiastic about the tariff order if the customer ends up paying less?

Jawahar Goel: See between our group, we have autonomy as a company, whereas maybe in Tata Sky they do not have the autonomy from their parent company, so they may be agitated whereas we as Dish TV, our management has full autonomy from our group company. So, we will pursue the tariff order and we will continue to pursue it even we are intervener in the court cases in favor of tariff order.

Rajeev Dalmia: The churn was 1% for month.

Vivekanand Subbaraman: And on Free Dish, what really excites you about the tariff orders on the consumer side?

Jawahar Goel: There are no updates, as I came to know that they are deliberating, they talked to each of the broadcasters to ask for carriage fee which is there in the tune of Rs. 8.5 crore and Rs. 6.5 crore for new channels. Plus, they are seeking for FTP (free air time). So, I do not know what the decision has been taken or whether decision has been take or not. So, we will know from the Ministry.

Vivekanand Subbaraman: On the ARPU side, because of the a-la-carte user base, once the new tariff order gets implemented, the ARPU is clearly lower right now, you discussed that in the past. So how do you mitigate that if consumers do not pay more?

Jawahar Goel: The way industry has been structured it will change. We have capability of charging under Rs. 130 for our pipe, and plus revenue share. So, we will continue to push it, let us see how successfully the TRAI will implement their tariff order.

Moderator: The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.

Mayur Gathani: Sir, all the discussion that I hear going on, will ARPU actually be relevant for you guys? I mean you guys will be pure distributors, so will ARPU have prominence?

Jawahar Goel: I think it will be a pass-through revenue so like we do have a relationship in the VAS or pay per view kind of properties where we share the revenue with the content providers after deducting the license fees, collection cost, taxes then we share are revenue. So same way it will be a pass-through revenue and that should save us the license fees as well, which we had already agitated with TRAI that since after the new tariff order the whole of the content course is a pass-through revenues, so we should fall in line with the Telco where interconnect is not counted for the license fees. So, let us see. We have work in hand, and we will continue to push TRAI for that.

Mayur Gathani: What is the positive cash flow for this quarter?

Rajeev Dalmia: Cash flow was around Rs. 100 crore which was used for letter of credit.

Moderator: The next question is from the line of Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani: I just wanted to understand broadly what would our subscriber mix in terms of qualitatively between urban and rural markets if you could share some metrics on that?

Anil Dua: We had mentioned that in the last call that after D2H coming with us, we are now 65% rural and 35% urban.

Riken Gopani: In terms of subscriber addition is most of the additions happening in the DAS-4 markets or how is the subscriber addition planning out?

- Anil Dua:** Yes you are right. Bulk of additions are coming from DAS-4, but with our focus on high-definition, etc., that is just another source where we are trying to build up our acquisitions. We are also going aggressive in the South across cities, because in our new strategy which Jawahar ji was hinting at a while back, we are aggressively providing content on both the platforms and are going for rapid subscriber base increase across all platforms.
- Riken Gopani:** As you mentioned that you are going more aggressive in the South, what would be let's say our current market share in South and where do you see that planning out?
- Jawahar Goel:** We do not disclose state wise market share, because it is slightly competitive information, but if you are interested then, we can discuss it one-on-one.
- Moderator:** The next question is from the line of Avinash Kumar from Moon Capital. Please go ahead.
- Avinash Kumar:** Just a few follow up one, what is your CAPEX for the quarter and what would be the CAPEX guidance for the full year FY19?
- Rajeev Dalmia:** CAPEX guidance will be slightly less. We are only Rs. 190 crores this quarter. So based on this rate, it will be around Rs. 800 crore to Rs. 900 crore only, not Rs. 1000 crore which we had guided earlier.
- Avinash Kumar:** Will this be lower due to the synergy benefits arising throughout the year?
- Rajeev Dalmia:** This is due to the renegotiation of the box price and the accessories with the vendors which have resulted into synergies. There has also been some reengineering done in the dishes, which will save us around Rs. 30 to Rs. 35 on a per dish basis. Previously, we were buying dishes at Rs. 100, and now we will be buying it at say Rs. 65.
- Avinash Kumar:** We had this discussion about this 15% discount cap which is arbitrary and Jawahar ji did mention that it can be higher, lower. So, do you see that just because of this issue the whole legal mess that we saw getting elongated again somebody comes up and say this is discriminatory so come up with a new formula and we reach like 0.0 where we begin from last one and half years.
- Jawahar Goel:** I had a discussion with the (AIDCF) Association of the MSO. They were having two thoughts of whether to go against the order of Chennai High Court in the Supreme Court, or to ask for 15%. They had chosen not to go there. So, this means that they had to go back to TRAI and TRAI will in 3-4 months' time address this issue with the new percentage and all. So that is why I am not worried on this.
- Avinash Kumar:** Just a last one bit you said a churn was 1% per month. Can you give me the comparative data I mean for the last FY18?
- Rajeev Dalmia:** For the last quarter also it was 1%, but for the whole year it was around 0.9% for FY18.

Moderator: The next question is from the line of Akshay Goswami from SBICAPS Securities. Please go ahead.

Akshay Goswami: May I know the subscriber acquisition cost for the quarter?

Rajeev Dalmia: Yes, it was 1575.

Moderator: The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.

Mayur Gathani: Historically, we have seen that in ARPU, once it goes up because of price increases, there is usually down trending, and by the next quarter people have down-trended and hence ARPU has fallen. How do you see this panning out in the coming quarters, given the guidance of 7% to 8% growth? Compared to that, the rise in ARPU's from 201 to 214 was a big jump?

Anil Dua: Basically, what is sacrosanct is the 8% revenue guidance that was given. There are a lot of activities that are going on. Some are aimed at getting new subscribers, some are aimed at increasing our subscriber base, some are aimed at increasing upgrades, and some are aimed at increasing ARPU. So, every month-to-month we look at what combination is the most potent to give us the 8% revenue. That is why we do not want to be very specific, but a combination of these factors in terms of ARPU increases, in term of subscribers increase, and in terms of upgrades as a combination should lead us to a desired guidance.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Tarun Nanda for closing comments.

This transcript has been suitably edited for ease of reading