

DISH TV INDIA LIMITED

Investor Conference Call on stock price movement January 29, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Dish TV India Limited Investor Conference Call to address questions regarding the recent stock price movement. 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 call please signal an operator by pressing * then 0 on your touchtone telephone. I would now like to hand the conference over to Mr. Tarun Nanda. Thank you and over to you Mr. Nanda.

Tarun Nanda: Good morning ladies and gentlemen. Welcome to the Dish TV India Limited Investor Conference Call. This call has been organised to answer any queries regarding the recent stock price movement. CMD of Dish TV Mr. Jawahar Goel is here with us and he would be glad to take questions post his opening comments. Over to Mr. Goel.

Jawahar Goel: Thank you Tarun. Good morning ladies and gentlemen. Thank you for joining this call at short notice. We have all been witnessing the unnatural movement in the stock price of Dish TV since last few days and especially on Friday, January 25th. We acknowledge that just like us it would have been an unnerving time for all of the investors and stakeholders of Dish TV as well. In view of the sensitive situation triggered due to the steep fall of stock price of Dish TV India Limited a detailed meeting of the Essel Group promoters with the lending entities comprising of mutual funds, NBFCs and banks was conducted on the pledged shared during the last weekend. While showcasing their belief in the intrinsic value of companies including Dish TV, the following aspects were concluded. There will not be any event of default declared due to the steep fall in price. As a result of the above there will be synergy and cooperation amongst lenders leading to a unified approach.

Before I take questions, I would like to reiterate that Videocon D2H has been a great strategic fit and its merger with Dish TV has provided immense growth opportunities to the company with significant potential to unlock going forward. The synergies driven out of the merged business will subsequently strengthen the profitability of the company. This is notwithstanding that the open offer made by promoters had put the promoters under financial stress. With the Q3 results around the corner, I am constrained from discussing business performance and would appreciate if we limit our discussion to the agenda of the conference call only. I would be happy to take any question now. Thank you.

Moderator Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on the promoters' stake, post the sharp fall on Friday, what is the current stake? If you could provide us invocation of pledge shares data the same way, data was provided by Zee?

Jawahar Goel: We are at 59.1%, so there was at least a fall of 32 million shares, 1.73%.

Abneesh Roy: And sir second question was, you said because of the Q3 results questions on the business cannot be asked. But on Dish TV if you could tell us on the principle and interest payment for the next six months, what is the status? Are we on track for the next six months?

Jawahar Goel: With Dish TV Company everything is going regular, regular payment and regular banking transaction. And we do not believe in delaying even one day for this banking commitment and that is why we are blessed with a very good rating from the rating agencies.

Abneesh Roy: Sir next question is on the Videocon deal, today I read your statement that Videocon gives a lot of synergy benefits, then I would go to the statement of the chairman in the letter wherein he said that that deal was an error. So, if you could elaborate both things, how do they match up?

Jawahar Goel: There are two parts of this Videocon merger. One is the merger of the business into the company. So that is a very good opportunity, we are proud to have that and the combined synergy is very good. But part 2 is when we made an open offer as a promoter that gave us stress that we have to pledge our shares and all these things and take additional financial burden on the promoter's side books, not in the company.

Abneesh Roy: And sir last question Zee is in the process of evaluating and finalizing a stake sale by the promoters. Is there a thought process in Dish TV at any juncture that in the future you can evaluate a part stake sale in the company?

Jawahar Goel: Well as a promoter family I can say that we are only targeting the part shares of Zee Telefilms and there is no other pressing need for considering Dish TV to do that. But definitely the control of shareholding and we have sufficient shareholding with the promoter. If strategic partner comes at a later stage in a year or two years' time at a good price that time we will see and let you know.

Moderator: Next question is from the line of Vivek Anand from Ambit Capital, please go ahead.

Vivek Anand: You have mentioned several times in the past that the tariff order is beneficial for you given the potential reduction in content cost and I think you have reiterated that but what are you seeing on the ground and also a related question is, is not this also giving a parity to the new entrants in this sector because as we know distribution happens to be a very fragmented industry and this regulatory move and possibly the new regulatory move on the set-top portability appears to be favoring new entrants. What is your thinking there?

Jawahar Goel: Over the years pay broadcasters were collecting revenue from the DTH industry and getting reach from the cable industry. That was pinching us. So now with the new regime this has to get

reversed. And that is why we are very gung-ho about this new Tariff Order. Dish TV legal team has successfully stood in the court of law to carry on and keep the authority of the TRAI to regulatory space. And from 1st February we are shifting our subscribers to the new pricing regime and another good part is that on the insistence of pay broadcasters, the subscriber count earlier was from opening and closing of the month divided by 2, now there will be weekly numbers taken and then average out so that no DPO can hide true numbers.

Vivek Anand: And sir my question was delving a bit further on the competitive scenario and regulations appearing to be pro-competition because as you know the current regime will also provide same pricing across the industry so any new player will also get the same content pricing and secondly the TRAI chief is also talking about the set-top inter-portability, so I was just trying to understand is the regulation really helping us or is it going to pose new challenges?

Jawahar Goel: Yeah, actually my reply to your first question also will answer the same thing because the pay broadcasters were getting paid from DTH and getting viewership from cable industry. So that anomaly should go away. #2, there is an open licensing. It is not like telecom that you have to auction the frequencies etc. In DTH and cable there is always an open licensing policy ever since, and even in broadcasting, there is no limitation on number of licenses. Even then the merger and acquisitions are happening. This means that the business has a lot of challenge and it's a hardship to manage that is why the merger-acquisition things happen to make the business viable or more rewarding to the shareholders.

Moderator: Next question is from the line of Vikash Mantri from ICICI Securities, please go ahead.

Vikash Mantri: Sir what is our loan against shares as of now?

Jawahar Goel: Yes see we have 82% shares of the promoters are pledged, so you can calculate that.

Vikash Mantri: How much loan has been taken against that sir?

Jawahar Goel: Loan amount is very difficult to calculate. 82% shares are pledged so that is more than sufficient to communicate.

Moderator: Next question is from the line of Naval Seth from Emkay Global, please go ahead.

Naval Seth: First question, what happens to the shares of Videocon which are still in abeyance, I mean any update on that?

Jawahar Goel: Which shares of Videocon?

Naval Seth: I mean around 6 odd million which were in abeyance when you did open offer, so they were still in the course of getting freed from the legal part. Any update over there because it was supposed to be 192 crore shares?

Jawahar Goel: That is status quo.

- Naval Seth:** Okay. Second sir, during the merger with Videocon we had seen some kind of slowdown in subscriber addition, and we had lost market share during that time. So, are you confident that it will not happen this time around because management bandwidth was involved in clearing some kind of liquidity issue and going forward also, are we confident on subscriber addition and the overall growth in the subscriber addition?
- Jawahar Goel:** There is a clear demarcation between the promoters' side and the company management. So company management are not given any responsibility on managing the share that is why we normally do not have data. That is our corporate. People are sitting there to handle and manage this. That is number one. Number two, your question is about subscriber additions – see we had made changes in a way, in some parts, which is time consuming. Our D2H used to buy smart cards at \$6 per set top-box whereas Dish TV has moved on the soft conditional access, which is costing us less than a dollar. So in order to develop that technology it has taken some time. Now we are all ready and fully geared up. Our legacy set-top box are now behind us for the smart card thing and Dish TV is going to get aggressive. In the next 10 days we will reveal some of our plans. So for this call I think the strategy to add more subscriber etc. we should not discuss it.
- Moderator:** We will take the next question from the line of Rohit Dokania from IDFC Securities, please go ahead.
- Rohit Dokania:** I had just one question sir, so let us say firstly congratulations that you could reach an agreement with the lenders, but the question is that let us say if Essel Group realizes Rs. 100 through the sale of stake in Zee Entertainment, will this Rs. 100 the first tranche completely go towards de-pledging Zee or will there be de-pledging of both Zee and Dish will happen together or first Zee in entirety would be de-pledged and only then there is an amount left will go ahead to sort of de-pledge Dish? If you could give any comments that would be very helpful.
- Jawahar Goel:** When these things happen then we have to clear all things irrespective of. Zee of course because if the stake sale happens then the Zee shares have to be de-pledged so that a clear title is passed on to the new incumbent but definitely Dish TV will be deleveraged as far as the pledge is concerned.
- Moderator:** Next question is from the line of Dinshaw Irani from Artemis Advisors. Please go ahead.
- Dinshaw Irani:** Sir this is regarding the merger between Videocon and yourself, today morning only I read in Business Standard about Electro Parts, a part of Videocon Group which has now said that you have not paid him Rs. 16 odd crores or so, so where are we on this particular thing? I also read your statement sir which was very diplomatic but where are we on the merger sir on this? Have we paid all the dues or some payments are still pending?
- Jawahar Goel:** Apart from that some shares which are held under litigation, a very few percentages or for the issuance of shares by the company to the shareholder. There both the claimant has to get it sorted out in the court of law. Otherwise I had not heard that Dish TV has not paid the outstanding. I

will like to get the information and if that is so, we will sort out. This news can be a 'shararat' because there is one company Trend Electronics who used to produce the set-top for D2H and a resolution officer is there, we have our raw materials lying there worth about Rs. 18-20 crores and that has to be dispatched after making manufacturing and we will make payments of the conversion charges. So I do not have clue about what story you are talking about. It will help me to find out. Videocon Group has nothing to do with this Trend as long as the resolution officer is sitting and he is in touch with me, he has requested time to come and meet us.

Dinshaw Irani: No sir, this is about Electro Parts India, it is a part of Videocon Group and they say they hold 9.9% in the company and you are supposed to buy it back in two tranches at 4.95% each at a price of Rs. 106.72, so that was the deal there.

Jawahar Goel: These issues are already in court and maybe somebody must be reading selective lines from the court allegations and counter attack and affidavits, so that I am not supposed to comment on it.

Dinshaw Irani: So suppose you lost the case in this case, are you supposed to pay up that money or will it be the promoter group who will pay the money?

Jawahar Goel: Well I am talking to you today as a promoter only..

Dinshaw Irani: Yeah, I get that sir but then it is a promoter group and not Dish TV which will be having to pay the money, right?

Jawahar Goel: There is no relationship for Dish TV, as far as the merger is concerned, for Dish TV, it is all over.

Moderator: Next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: My first question, what percentage of your shareholders have agreed to not sell the shares till the Zee promoter stake sale is complete? I understand that number is 96-97% for Zee but what would be that number for Dish TV?

Jawahar Goel: I think it is similar to Zee or something better.

Jai Doshi: Second is could you let us know growth has slowed down in the recent past and if the Capex requirements would have also sort of gone down versus what was expected earlier, so what kind of free cash generation should we expect may be this year and next year or maybe what are your targets at net debt levels for this year and next year?

Jawahar Goel: I think we should postpone this reply and question for next week when we do the quarterly results thing.

Jai Doshi: So sir my final question is from a Competition Commission perspective do you think there is room for further consolidation in the DTH industry? Can the size at which your Dish and Videocon, is there a room for M&A with any other DTH player now or you think any such

attempt would be blocked by competition commission? How does CCI look at this industry because we saw CCI approvals for Hathaway and DEN, would like to understand a little better how they look at the industry and what are the considerations?

Jawahar Goel: I think the market or the operator or the investor or the banker, they first are trying to analyze that why this meltdown has happened on Zee? Who has done it? What were the intentions, etc.? So, under those circumstances further M&A, question, I do not think it can happen and people may think again. Recently we had seen big three MSOs were sold out, then you have seen that what we are discussing the conference call today the attack on Dish TV, the attack on Zee, so I do not know what is happening on the market and who is doing it. So under those circumstances any further merger and acquisition prediction is hard to say.

Jai Doshi: So, from Competition Commission standpoint do they look at India as an overall market or are they considering state as market share of players?

Jawahar Goel: I have not read the order which the Competition Commission has given in case of merger of DEN, GTPL and Hathaway, acquisition. So as we have not read it yet and we were not also taking interest in that merger whether to stall it or get it expedited or to put objection to it. Definitely when we applied for Videocon D2H merger with Dish TV, it was a pretty lengthy time and lot of discussion, conversations, meeting after meetings, clarification after clarification, so we have gone through that process.

Moderator: We take the next question from the line of Vivek Anand from Ambit Capital. Please go ahead.

Vivek Anand: What are the Videocon Group entities with which we still have dealings, like Trend Electronics? That is question #1. And secondly, globally the media and entertainment industry especially in TV, there is a lot of vertical integrations, so companies like HBO also have cable operations. So have there been any potential talks with strategic partners at Zee's level where they may also be interested in owning distribution such as your company and if so, what is the amenability on your part to consider such a deal?

Jawahar Goel: One is that Trend Electronics I believe if the resolution officer is there then it is no more a Videocon Group Company. They are not under management. So, as I said in this conference call that the resolution officer has called last weekend and he wants to come and meet us for pitching for continuation of business. So we will discuss that. #2 the global scenario, yes, the It has been a scenario for last 15-18-20 years where the telecom players were going with the satellite operator and the cable companies in US market, they were also doing the Telco and everything. So, in India the scenario will continue. The satellite delivery in US is still prominent because of the size of the country and India will also remain in such a scenario where we have at least 60-70% of the population not covered with wireless deliveries.

Vivek Anand: Thanks a lot. Just one follow-up. So, you mentioned that the Trend Electronics Resolution Officer wants business continuity, so would that require any investment on your part also or will

you just be committing to a contract? I am just trying to understand if you are liable to pay them any specific amount?

Jawahar Goel: Normally, you see what they have been doing in the past and we also as a merged entity have continued we used to import the component and do a High Sea sale to Trend Electronic and pay them in conversion charges. They did not have capital, so the component that we used to import we just used pay the labor charges to them. And there is no ideal payment charges and all these things. This we had not renewed because (a) we are working on a different technology, different style of work so that we get away with the cost of the viewing card scenario, the design they were missing that D2H company.

Moderator: Next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: Just one clarification which I need, this ongoing legal case with Videocon promoters, is it restricted only between the promoters of Videocon and Dish TV or is the company also a party to the litigation?

Jawahar Goel: It is the promoter companies and the Company is only to the extent that their Company has not issued the share and the issuance of share has been kept in the abeyance. So Dish TV is only involved to that extent.

Alankar Garude: Understood, so basically there cannot be any liability which can come specifically for the Company.

Jawahar Goel: Dish TV has asked the court to tell us that whom to issue the shares?

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

Yogesh Kirve: In the business whatever future cash flow that we generate going ahead, so just wanted to understand what could be our company priorities? Now back in September, October we had declared a dividend so whether are we going to see more of dividends in future? I understand that can also address some of the promoter leverage issues. Secondly, the operation does not require cash but our understanding is that there is a license fee issue which is pending, so we will like to provide for some cash towards this potential liability as well. So just want a management's perspective on balancing these two priorities?

Jawahar Goel: Thank you for your question. Today I am talking to you as a promoter, not as a CMD. And we will wait these questions to be deliberate it in the quarterly results call but let me tell you that the Company has been granted extension of the license for another six months, that to reconcile with their new government or new ministry, they will take the decision. The court case is still pending, the government has recently replied to us after passing of three years. So I think our lawyers are working to defend the case or get the success of the case. And thirdly, with the new regime of tariff order by TRAI, any revenue passed through the broadcasters we are merely a commission agent. So, we had written a letter to TRAI and TRAI in the month of February they

promised to come out with a consultation paper that the content cost should be a pass-through item, so that claim is also pending. Our issue is pending before the telecom regulator.

Moderator: Thank you. Well that was the last question for today. I would now like to hand the conference over to Mr. Tarun Nanda for his closing comments.

Tarun Nanda: Thank you once again for joining us ladies and gentlemen. We should be talking soon on the 3Q numbers. Till then if you have any questions on today's call or any matters incidental thereto, please feel free to reach out to us. Thank you very much and have a good day.

This transcript has been suitably edited for ease of reading

