



“Videocon D2H Q3 FY2016 Earnings Conference Call”

January 28, 2016



MANAGEMENT: **MR. SAURABH DHOOT – EXECUTIVE CHAIRMAN,
VIDEOCON D2H LIMITED**
**MR. ANIL KHERA – CHIEF EXECUTIVE OFFICER,
VIDEOCON D2H LIMITED**
**MR. ROHIT JAIN – DEPUTY CHIEF EXECUTIVE OFFICER,
VIDEOCON D2H LIMITED**
**MR. AVANTI KANTHALIYA – CHIEF FINANCIAL OFFICER,
VIDEOCON D2H LIMITED**
**MS. NUPUR AGARWAL – HEAD INVESTOR RELATIONS,
VIDEOCON D2H LIMITED**

MODERATOR: **MR. VIVEKANAND SUBBARAMAN - AMBIT CAPITAL**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Videocon D2H Q3 FY2016 Earnings Conference Call hosted by Ambit Capital. As a remainder, all participants' line 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 phone. Please note, that this conference is being recorded. I now hand the conference over to Mr. Vivekanand Subbaraman. Thank you and over to you, sir.

Vivekanand Subbaraman: Thanks, Aman. Good morning, everyone. We at Ambit Capital are pleased to host the 3Q FY16 Results Conference Call of Videocon DTH. We have with us the senior management of the company represented by Mr. Saurabh Dhoot – Executive Chairman; Mr. Anil Khera – CEO; Mr. Rohit Jain – Deputy CEO; Mr. Avanti Kanthaliya – CFO; and Ms. Nupur Agarwal – Head, Investor Relations. Over to you Mr. Saurabh, for opening remarks.

Saurabh Dhoot: Hello, wish you all a very Happy New Year. At least if not for global financial markets perhaps, for the Indian DTH industry the New Year has started on a very positive note with the initiation of Phase-III digitization. Thank you all for joining the call and thanks Vivek for hosting our call today. Our Board Members, Management Team and I welcome you all on our results call for the quarter ended December 2015.

In the third quarter we continued to successfully seize the Indian Digital Pay TV opportunity delivering superior content, strong high definition offerings and best in class customer service to almost 15 million subscribers. As the fast growing Indian economy creates new Pay TV households and government enforced mandatory digitalization progress, DTH services are increasing their market share in this potential new 100 million plus Pay TV subscriber market. Management's success in building a Pan-India distribution channel, strong customer value proposition, best in class service orientation, strong brand presence and track record of introducing leading technology and innovative product and service offering highlight its commitment to long-term market leadership in this backdrop.

Videocon D2H strategy continues to focus on driving revenue and EBITDA growth while investing in building a durable foundation for strong long-term profitable growth. With this in mind, I am happy to share that the company reported strong EBITDA growth of over 42% this quarter over last year. This is a result of strong subscriber and ARPU growth as well as our continued focus on margin improvement in line with expectations and prior guidance. With Phase-III digitization making progress, we are very excited about the uptick we are seeing in January so far and are keen to continue to deliver on key performance metrics.

For the quarter, we achieved the following. Q3 FY16 subscription and activation revenue grew 26% year-on-year to INR Rs.6.65 billion. Total revenue from operations grew 21.6% year-on-year to INR7.31 billion. Adjusted EBITDA grew 42.2% year-on-year to INR2.01 billion,

adjusted EBITDA margin expanded by 390 basis points year-on-year to 27.4%. ARPU grew 8.2% year-on-year to INR211. Gross and net subscribers increased by a healthy 0.67 million and 0.43 million subscribers respectively. Monthly churn for the quarter came in lower at 0.73%. Net loss for the quarter came in at INR220 million that is a 72.4% improvement over Q3 of last fiscal.

While this quarter's results were excellent, results I would like to add and point out over here were impacted by two factors unseen and outside of our control namely the increase in service tax by 1.65% put in by the government in the middle of the year and implementation of a Swachh Bharat cess, which means clean India tax of 0.5% put in November. Without these factors, adjusted EBITDA growth in the quarter would have exceeded 45% year-on-year, this clearly is a stellar result. Earlier this year we provided an EBITDA guidance of at least Rs.8.2 billion for the current fiscal year ending March 2016 with guidance increasing up to Rs.8.6 billion if digitization proceeds on the faster side of expectations with great force by the government. I would like to point out over here, the impact of these unexpected, unforeseen new taxes would be in the range of INR400 million on the EBITDA for the whole year. Without these unexpected taxes, I am happy to note that we are comfortably in line with our guidance given.

Having said that the management is continuing to maximize the growth opportunity, we would certainly finish the year with a very strong performance. Our ability to offer the highest number of local channels to our subscribers has been boosted by new transponders added, this has given us new higher bandwidth with a superior compression technology and this continues to strengthen our key competitive advantages, especially given the challenges faced in sourcing additional bandwidth in India. Recently we had the opportunity to increase our bandwidth ahead of schedule, I am happy to share that we managed to lease two additional transponders and this opportunistic addition to our transmission system ahead of time is very good as satellite transponders are difficult to obtain in India.

Mr. Khera, will provide more details on Phase-III but I would just like to add that Phase-III digitization is well on its way opening up a total additional subscriber market opportunity of over 24 million new homes in the coming year or two. The Indian economy continues to gain momentum with expected GDP growth of around 7.5% in fiscal 2016. We have all heard our Finance Minister talking about growing this to around 8.5% in the next fiscal year. India continues to be the bright spot in the otherwise challenging times in the overall global economy. This growth will help us create millions of more Pay TV homes and a lot more spends on discretionary consumption and entertainment in rupee terms.

I want to remind everyone that India's cable and satellite TV space is evolving, the operating business is delivering upwards of new 40% growth boosted by tailwinds from not only India's strong economy which positively affects consumer discretionary spend but also being pushed

Videocon d2h Limited
January 28, 2016

towards change by the Indian Government's framework for modernizing India's aging analog network.

Now as a public listed company, management strategy continues to focus on delivering long-term sustainable shareholder value by investing in what we believe will produce core fundamental growth in India's DTH market. Our core expertise and track record to date speaks volumes and we are looking forward to you continuing on this journey with us as we continue to capture the growth within the industry and have consistently maintained our number one incremental market share leadership position.

On a different note paradoxically, while the operating business is delivering upwards of 40% growth, our share price has been under pressure in recent times and while we do understand the overall market sentiment has been weak and the reasons for the same are macro, I share and empathize the disappointment that some of you might be feeling. I am sure as we continue to deliver strong growth quarter-on-quarter, short-term technicalities will solve for themselves and our stock price would mirror our growth patterns.

I thank you all and I would like to request Mr. Anil Khera to provide some operational updates for the period.

Anil Khera:

Thank you, Mr. Saurabh. Let me start with giving you an update on Phase-III digitization. Phase-III digitization has begun along with TRAI the Ministry of Information and Broadcasting has been extremely supportive to ensure this happens. The broadcasters were asked to switch-off analog signals in Phase-III areas after December 31, 2015. The blackout of analog signals started in almost all markets that came under Phase-III effective January 1, 2016. A positive development has been that the subscriber and the local cable operators seem convinced that Phase-III is now a reality. We are seeing good responses from Phase-III market so far. In the first few days of January 2016 when the Phase-III digitization was in full force, our daily subscriber addition went up quite significantly as against our normal average. I am delighted to share that DTH has been garnering a strong share of incremental subscribers in Phase-III markets. Low availability of set-top boxes with the local cable operator has also been helping DTH operators add more subscribers. Given the shortage of set-top boxes with the local cable operators, we hear digital cable set-top boxes are being priced at Rs.1,500 per set-top box which is at a similar price point to DTH. This is unlike Phase-I and Phase-II where digital cable boxes were sold at lower price of around Rs.1,000.

We are excited and fully prepared to benefit from one-time subscriber opportunity and we have over 1 million set-top box inventory. We have also arranged for additional set-top boxes availability on a very short notice from our vendors given our procurement comes directly from within India. While we have seen strong pick-up, recently the High Courts of some large states such as Andhra Pradesh, Telangana, Tamil Nadu in South, Orissa in East and Uttar Pradesh in North and Maharashtra in West issued stay orders for two to three months which

was in line with what we had seen in the previous two phases as well. This confirms our belief that digitization is a staggered process and the overall growth opportunity will play out over the next couple of years.

On a positive note, the Ministry of Information and Broadcasting plans to approach Supreme Court against the stay orders issued by the state High Courts for a quicker resolution. In spite of a start-stop sort of implementation, we firmly expect strong numbers in the fourth quarter over the same prior years' quarters. This will be enhanced by a popular event, which is the T-20 Cricket World Cup hosted in India.

I would now want to share a little update on DTH industry in terms of regulatory developments. During the quarter the TDSAT; TDSAT is a special court in the telecom and media space, issued a judgment on content agreement in simple terms. As you are aware, À la carte or selling rates for broadcast channels content in a sense is regulated in India. In the recent times the regulator has been reviewing the effectiveness of these selling rates as against the effective negotiated rates on which typically these deals happen. The regulator has been pushing two agenda firmly in recent times, one, rationalization of selling rates for bridging the gap between a-la-carte rates and content agreement rates and having a scientific logic as against negotiated rates. And second is, bringing transparency and parity across multiple platforms on their commercial deals, especially cable and DTH. We believe that this is a positive development for DTH industry.

In continuation of our strategy to increase ARPU over time by providing enhancement to content and better viewing experience to our customers, we continue to strengthen our high definition and 4K offering. Over the last few years we have proactively increased our high definition channel count from 12 in financial year 2012 to 45 channels now. I am happy to share that we added 16 high definition channels in the current fiscal year-to-date. We will continue to focus on this area and along with 45 high definition channels; we now also have access to one of the largest 4K libraries in the world with content ranging across multiple genres such as lifestyle, fashion, sports, music and film.

On the recent Netflix launch in India, I would like to talk about our views on OTT space. Recently we saw Netflix launch their services in India at price points ranging from Rs.500 to Rs.800 per month. We believe this is quite positive in terms of price positioning and validates our long-term potential ARPU levels for India. The entry price is two times of entry price offered by DTH and digital cable operators and even more compared to analog cable. This pricing is despite the fact that Netflix has launched a limited content library suitable for the Indian consumer.

With this, I now hand over the call to Mr. Rohit Jain for a financial update.

Rohit Jain:

I am happy share details of the results for the quarter. Total revenue grew 21.6% year-on-year to 7.32 billion. The breakdown of this was subscription and activation growing by 26% to 6.65 billion, carriage revenue grew upwards of 68% year-on-year to 235 million, ad revenue came in at 110 million as against 29 million in the base quarter, the balance was other revenue.

Adjusted EBITDA grew 42.2% year-on-year to 2.01 billion, with we have now done 5.8 billion in the first nine months of the fiscal year, that is a 34.2% increase over last year, this is after adjusting for ESOP expenses. Adjusted EBITDA margin expanded 390 basis points year-on-year to 27.4% for the quarter. Fixed cost as a percentage of revenue has declined from 16% in the base quarter to 15.6%. Net loss for the quarter came in at 220 million, this is a 72.4% improvement over the same quarter last year. We are quite confident that we are on track to achieve PAT breakeven in the next fiscal year, something that we have repeatedly shared over some of our earlier calls also.

In the quarter we added 670,000 gross subscribers and 430,000 net subscribers. We ended the quarter at 14.95 million total and net of churn 11.27 million subscribers. Monthly churn in the quarter came in at 0.73% on account of favorable impact of seasonality which was something that is always expected. We are happy that the first nine months' monthly churn has averaged at 0.8% validating our guidance of 0.83% for the full fiscal year.

Hardware subsidy further declined to 1726 per subscriber during Q3. With this, our subscriber acquisition hardware cost has come down by Rs.144 during the first nine months, this is ahead of our guidance of decline of Rs.100 that we anticipated at the start of the year.

CAPEX for the quarter was 1.54 billion, this largely relates to the set-top boxes. Important to note that the CAPEX was low in this quarter as we had billed in sufficient inventory of set-top boxes in Q2 ahead of the deadline of digitization. Some of you might remember, CAPEX in Q2 on account of build up was 2.46 billion. With this, the overall nine month EBITDA less CAPEX works out to a positive 292 million and 466 million positive for the quarter. Given the growth rates that we are seeing, the negative working capital nature of the DTH industry, we are quite likely to be positive free cash flow at the coming quarters.

As of December 31st, we had a gross debt of 23.9 billion and total cash and short-term investments of 8.26 billion.

To share a bit more color on the external factors Mr. Saurabh Dhoot talked about which have impacted the results of the industries across various sectors in India, we saw that service tax has been hiked from 12.36% to 14% effective June. Thereafter, we saw the government announcing Clean India Campaign as a national priority and levying Swachh Bharat cess from middle of November. Revenue was impacted by 270 million for the first nine months and 140 million for the quarter. EBITDA was impacted by 250 million for the nine months and 135 million for the quarter. Similarly, ARPU for the nine months was impacted by Rs.3 for the

quarter was impacted by Rs.5. Essentially, instead of 211 the quarter ARPU would have been 216.

We expect depending on the overall Q4 numbers, the impact for the full year on EBITDA on account of these things would be plus minus in the range of 400 million. Having said that, we are quite excited with the results, operating numbers are delivering with a growth we are seeing on subscribers' revenue and growth over preceding quarters. Except for the impact of these numbers, we are well on our way to deliver the growth that we expected.

With that, we would now like to open the call for question-and-answers.

Moderator: Thank you very much. We will now begin with a question-and-answer session. The first question is from the line of Arvind Bhatia from Sterne AGee CRT Capital. Please go ahead.

Arvind Bhatia: My first question is just wanted some clarification on the guidance in light of the external factors that impacted you guys. So the last guidance I think you guys had provided on EBITDA was at least 8.2 billion and I think at one point you had talked about 8.6 billion if this digestion happened faster. Now I just want to understand, are you suggesting that with the impact of these external factors you are still targeting the 8.2 billion or should we be factoring that in our calculations from the 8.2 level and down from there, just one clarification there. And then my second question is, it was a great question, would like to understand how it progressed from October to December, how Diwali was, how December was and if there were any intra-quarter trends that you would like to call out. Thank you.

Rohit Jain: Well, Arvind to your question on EBITDA, when we started the year we set out a budget of Rs 820cr to 860cr and we said that we set out a range depending upon the pace of digitization, we expected in our budgets to do minimum of Rs 8.2 bn and we said if the digitization goes faster it has the potential to go up to Rs 8.6 bn. Now having said that, we have seen the operating numbers are performing in line with our expectation largely, if we see the kind of growth we are seeing in subscribers, if we see the kind of revenue we are realizing from the market from the ground, we are seeing the kind of growth that we had set out for ourselves. But the pricing in India is built on the MRP model in this industry where essentially the price that we are charging to the customers, the collection remains the same but as a result of these two factors there is a high share of revenue that is effectively going to the government now. So on the financial front, these two things would certainly have an impact and that impact we anticipate is likely to be in the range of 400 million, but if we neutralize the impact of these factors which has largely been really outside of our control or control of any other industry, I mean this applies to pretty much most people, we would have I think be very-very comfortably been strongly positioned within our guidance, but that is neutralizing the impact of these two items. But these two external items would be there, so I think one just needs to look at the operating model and the operating business and these two external factors together in the right length. For the Diwali quarter, again we were expecting it to be a good quarter, if you remember in our

last call we said we expect this quarter three to be stronger than the quarter three last year. If you saw in the last year fiscal 2015 Q3 Diwali quarter we had done 0.36 million, we saw those numbers go up by 15%, 20%, we did 0.42 million this quarter, we expected churn to be healthy again depending on how the rituals and the religious events were set out and we saw again churn levels come in at a healthier Q3 compared to last year. So it has been a good quarter, again, we probably expect a good Q4 as well given there is digitization while as Mr. Khera said it has been a stop-start kind of a process. Nevertheless, it is a boost to the overall industry, plus there are favorable events like Cricket World Cup, so we do expect a strong Q4 as well.

Arvind Bhatia: And one question on Mr. Khera's comments on Netflix, I see them coming into India both as an opportunity and as a threat, could you maybe elaborate a little bit more if that can be an opportunity, beyond just from the pricing standpoint are there ways for companies like yours to partner with them and is there any possibility of working with them while they are in India?

Rohit Jain: I think there are certainly a lot of opportunities for us, we have obviously been investing in TV everywhere services, we have been studying the overall larger OTT play in the market and waiting for the right time and opportunity. We would certainly look at to the extent possibly partnering with players where it makes synergy and complimentary skill sets and complimentary offering to the consumer. Difficult to comment about any specific player but in general wherever there are complimentary offerings possible that makes those which are margin and market share accretive, we are quite open to those possibilities.

Moderator: Thank you. Our next question is from the line of Ratan Juneja from Mari Gold. Please go ahead.

Ratan Juneja: I have a couple of questions. First is, what is the incremental market share for this quarter? My second question is, when do we see the licensed reduction as promised by TRAI from 10% to 8% taking place? Third question is, what is the run rate for January 2016?

Anil Khera: The incremental market share for this quarter has been 28%, this is across market share, standard definition, high definition put together. And your second question was on the regulatory about license fee, you see the DTH association as a body and also we as a DTH operator have been continuously representing with the TRAI authority and also the Ministry of Information and Broadcasting from time to time and we have been getting assurance that some action will be taken, but as you know that government is likely to take the decision in very short time but there is no deadline as such that when they will announce this. But we recently had a very good meeting with all the DTH operators together with the Ministry and we all have been assured that the case is being looked into. Can you repeat your question number three please?

Ratan Juneja: Yes, I have two more. One is a follow-up question on the market share, at 28% do you beat Tata Sky and Dish TV for this quarter?

- Saurabh Dhoot:** I would like to point out, I already mentioned in my talk that we believe we enjoy number one market share position on incremental growth basis.
- Ratan Juneja:** So you are number one as far as this quarter is concerned?
- Saurabh Dhoot:** Yes, for the incremental market share, yes.
- Ratan Juneja:** For this quarter?
- Saurabh Dhoot:** We have consistently been number for a lot of quarters running.
- Ratan Juneja:** Last quarter I think your numbers were way down, I think Dish TV and Airtel.
- Saurabh Dhoot:** Do you know their gross subscriber figures?
- Ratan Juneja:** No, I do not know, I am talking about net.
- Saurabh Dhoot:** So without that we cannot make this assumption, it would be incorrect.
- Ratan Juneja:** Okay. My next question was, what is the run rate in January?
- Saurabh Dhoot:** We do not discuss January run rates, that has not been our policy.
- Ratan Juneja:** Alright. And can you tell us what is going to be the impact of GST on the DTH industry if and when it is passed?
- Anil Khera:** You see, as we hear from various sources that GST might be to the tune of 18% and our current tax outflow is to the tune of 22% to 23%, so definitely there is an advantage of at least 2% in case the GST is declared at 18%.
- Rohit Jain:** Let me just share a bit more on GST, so our take on GST is we have been looking at the issue not so much from the taxation point of view but the benefit it gives to the companies specifically like us that operate across the country in terms of doing ease of business in India. We firmly believe it is absolutely one of the largest tax transformations possible in this country and certainly for consumer companies it benefits tremendously.
- Saurabh Dhoot:** I think it is very safe to say the impact is accretive and we are very positive about its impact. But it is best to really give you figures and numbers once the GST is out.
- Ratan Juneja:** And what is the percentage of HD connections that you have had amongst the whole for this quarter?
- Rohit Jain:** Are you saying with respect to the market share?

- Ratan Juneja:** No, you have added about 0.67 million for this quarter gross.
- Rohit Jain:** Yes.
- Ratan Juneja:** What is the percentage of HD connections?
- Saurabh Dhoot:** Close to third of our subscribers have taken HD connection.
- Ratan Juneja:** 33%?
- Saurabh Dhoot:** Yes, and incrementally close to a third, 30% to 33% take up in HD connection for us.
- Moderator:** Thank you. Our next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.
- Vivekanand Subbaraman:** A couple of questions from my side. One, what is the magnitude of the transponder capacity addition in megahertz terms and how many HD or standard definition channels will we get to add because of these transponders? Second question is pertaining to the content deals, specifically wanted to understand what proportion of our content cost would be fixed fee with annual escalation process and I suppose the balance would be linked to the subscribers taking certain packages and a pass through, right? Thanks.
- Rohit Jain:** Vivek, I will try and answer all the questions that I could remember, just remind again of the questions that we might have missed out. On your transponder part, we have added two transponders recently, these are transponders of 36 megahertz each, so we have added about 72 megahertz of capacity. This has been a tremendous upside for us in terms of the opportunity it gives us in the long-term to continue to strengthen our content. In terms of content cost, look we have always said that we have a pretty healthy mix between contracts that are fixed versus contracts that are available and that is how it continues to remain. The fixed contracts for us have in general inflation of about 7% to 10%, the variable contracts generally have inflation built in of about 2% to 4%. That is how our content cost is structured. Sorry, what was your other question?
- Vivekanand Subbaraman:** Related to the question on transponders I wanted to understand the number of new HD or standard definition channels that you will get to carry and when will we see those channels form part of your bouquets?
- Rohit Jain:** So the two transponders give us tremendous capacity.
- Saurabh Dhoot:** Yes, on both the transponders if we put all SD channels it would be close to 100 SD channels.
- Vivekanand Subbaraman:** And I guess we would be looking to add many regional channels and HD channels, right?

Saurabh Dhoot: We will do what is right for the customer.

Vivekanand Subbaraman: And another question that I had was on the churn that we reported during the current quarter, so I see that it has moderated compared to last quarter and generally we expect or generally when a competitive phase of subscriber addition happens we tend to think that churn would increase but in this case it has declined. So can you talk a little bit about the consumer behavior and the expectations that we can build on churn going ahead in Phase III and Phase IV markets?

Rohit Jain: This is something that we have always maintained, the DTH industry is fairly massive in its size now, we have a very-very large customer base even before digitization Phase III started across all the phases. With this phase I think there is a tremendous analytics available with us in terms of historical trends and numbers for us to know that we do not expect any large variations on these things and we have seen all the players being very-very rational in terms of trying to get market share. Except for the seasonality that we usually see in India we have not seen much variation if we look at the last three to four years, even if we look at our own publicly available data of the last sort of eight, nine quarters you will see the numbers being very-very consistent and happy to say not just for us but for others as well. And we guided for a churn of 10% for the full year coming to 0.83% for the quarter and this is something that we kept reiterating after every quarter irrespective of whether that was a high season quarter or a low season quarter and we have seen that averaging out in line with our expectation. At this point of time this is in line with what we would continue to assume for the quarters to come as well.

Saurabh Dhoot: Absolutely, I mean we expect to have a good Q4 as well given digitization and T20 World Cup with India being the host country this time, run rates are going to be in line with expectations and we are happy about that.

Vivekanand Subbaraman: Lastly, a quick question, in the beginning you had mentioned that the MSOs, the cable companies are facing set-top box shortages, in that context please help us understand how Phase III is expected in terms of the overall mix, once the market becomes completely digital what percentage is likely to be on DTH and what percentage on cable? Thanks.

Anil Khera: You see, if we have to learn something from Phase I and Phase II, before the digitization the market share for DTH was 27% to 28% but post digitization the market share for DTH versus digital cable became 42% to 45% and remaining was digital cable, I am talking about Phase I and Phase II. Similarly, in Phase III to begin with, DTH industry already has a respectable market share because the market size is also very big. When the blackout happens that time the DTH activity start moving with a higher pace in this market and which we have already seen in the first half of the month in January when the blackout happened. And we expect that as we mentioned earlier also that it is a staggered process of getting market share in Phase III because the digitization is happening on more than 5,000 towns out of which 600 are main district

towns and we are confident that looking at the shortages of set-top box there will be a lot of customers who will turn to DTH and over a period of time we think DTH will have anywhere around 42% to 45% market share in Phase III as well.

Saurabh Dhoot: Absolutely, I reiterate that the LCOs and their whole structure is so fragmented barring three four of the top MSOs it is very challenging for the others to organize, arrange and fund set-top box deployment and I think we are seeing a result of that and which is reflecting in the price at which cable are selling set-top boxes which I believe is at 1500 bucks which is higher than what they did in Phase I and Phase II.

Anil Khara: I think just having said that, just to take back at the macro opportunity side, the DTH industry today is approximately 55 million and digital cable as we gather is about 30 million, that is about 80 million - 85 million, there is still about 70 million analog homes, there is still about another 25 million - 30 million new homes that might be created in the next four five years. The overall market size opportunity for both cable and DTH is pretty humongous irrespective of market shares.

Saurabh Dhoot: And I just want to again point out for clarity, that while DTH gives our active and net subscribers, cable does not share net subscribers, net of churn and what is active. So clearly there is also a difference in when we talk about the numbers they have there is a difference on with the number of subscribers which are inactive.

Moderator: Thank you. We have a follow-up question from the line of Arvind Bhatia from Sterne AGee CRT Capital. Please go ahead.

Arvind Bhatia: I realize that it has only been a few weeks since the digitization deadline and I sense a lot of excitement and enthusiasm in your voice on the uptick that you have seen. With a caveat that it is early days and it has been obviously sustainable, I was still wondering if you might be willing to share some of the or maybe quantify some of the early uptick that you might have seen in the first few weeks since December 31st?

Anil Khara: You see, the activity in DTH started happening by end of December and beginning January when at the mid-night of 31st December the switch-off started happening. There are although 5,000 list of towns where the digitization Phase III is happening out of which there are 100 top towns which contributes to almost 45% to 50% of the numbers of Phase III digitization. We have seen in these top 100 towns spurts ranging from two times to five times in terms of new acquisition but it remains for few days till 20th of January and 25th of January and gradually when the stay orders started coming in from various state High Courts the numbers started falling, but nevertheless the numbers in these 100 towns or 150 towns are still very good because the cable operators and the customers have realized that Phase III digitization is now a reality and is going to happen, it has not canceled but has postponed by few days and most of the state High Courts have granted stay till February and some of the dates are coming up in

the first week of February and middle of February. And as I mentioned earlier that Ministry of Information and Broadcasting since they are not able to cater to various High Courts hearing in all over the country so they have requested to the Law Ministry through the Attorney General of India that transferring all the state cases to the capital of the country Delhi Supreme Court and they will address all these cases directly there.

Saurabh Dhoot:

Absolutely, I completely agree with Mr. Khera and I really want to reiterate that what are the key takeaways from Phase III, I think that is what is important for fundamental investors is that Phase III clearly got initiated, it went ahead as planned on midnight, the government has been extremely supportive, the broadcasters were asked to switch off analog signals in Phase III areas post December 31st, the government wants to solve and resolve the judiciary issues and stays issued by the local courts and it sends entire message to the industry and to the subscribers as well, I think that is the key takeaway. And this is what gives a very good tailwind of good momentum and growth which is not overnight, it will not happen all in quarter four but it goes through in the next one year or two and that is what is important and like we always say that it is a long process, it will happen in a phased manner, it is not an overnight journey and it cannot be forced by the government overnight in one month or two month.

Arvind Bhatia:

And then one last one for all of you, as you think about your ARPU for next fiscal year in light of some of these taxes that you were hit with that you did not pass on to the customer, how should we think about the ARPU for next year? I think that we have been thinking in terms of 8% to 10% increase year-on-year, would you be comfortable with that, are there any new taxes that we should be thinking about for next year?

Saurabh Dhoot:

We are not issuing guidance right now Arvind on ARPU for next fiscal.

Arvind Bhatia:

Just more general, maybe near-term or I guess you are not talking about next fiscal year but maybe a general trend on ARPU in light of these taxes and perhaps if there is anything else?

Rohit Jain:

I think in general the ARPU trending Arvind we very-very strongly believe should continue upward and if anything the Netflix launch has only further validated our belief. Also with respect to taxes, I think what will also happen in the next year is we will come eventually to quarters where we will start having a slightly more apple-to-apple comparison. So I think we will probably deal with the nuances of the growth factors in the next year and how to compare a little later, but in general the trend absolutely should remain positive.

Anil Khera:

Yes, Phase III digitization clearly helps Arvind, what happens is that as the ecosystem in India for pay TV becomes more and more transparent, more and more digitized and piracy and analog signals are put under pressure which obviously are the key reasons why ARPUs are so low in the country today, when all of this effect happens clearly you see that along with the improving HD mix, along with the extra addition of value added services which we have

launched like our cinema and Hollywood service and of course price increases due to increased transparency and the pressure of increasing prices by the MSOs actually, all of these are positive trends frankly and that is what matters.

Arvind Bhatia: Understood, thank you. I just want to wish you guys all the best. I know you continue to execute well and start seems to have decoupled from fundamentals but we appreciate all the color this morning. Thank you.

Moderator: Thank you. Our next question is from the line of Peter Okin from Stifel Nicolas. Please go ahead.

Peter Okin: As a shareholder I watch the stock and I know you talked about it a little bit earlier but the stock goes down every day, there were some large volume few weeks back with 2 million shares traded each day and you thought the pressure would end. There is not a lot of stock out there, why do you feel is the continual pressure on the stock, what are you doing about it, are you gaining some sort of research coverage, I mean no one seems to know the story out here but either the stock is in the wrong hands and what are you doing about it? Are you allowed to buy stocks as individuals to show some support for the stock, but the stock is tossed around very easily and traded at a new low this morning even though it was only a few shares, my concern is that when the day turns we are going to see another down day. You had a beautiful quarter, no one seems to care. Part of your job as management as you said earlier is providing some shareholder value, that is the opposite of what has happened. Thank you.

Saurabh Dhoot: We completely share your disappointment, like I said earlier. But as a company we focus on the right thing, we focus on the fundamental growth of the business and that has been stellar. We cannot be overtly driven by short-term technicalities or global macro issues, what we can do is definitely market and talk about the company and meet investors, do road shows, encourage research analysts, look at various other options. So for example, Rohit you could share about the fact that we have also taken Taylor Rafferty. Rohit and the management would be in the US following this call along with Hong Kong, Singapore to meet investors specifically fundamental long-term investors who like these kind of stories. And naturally at the Board level we will look at all aspects such as an Indian listing, aspects around buyback and things like that. And then of course we will take all possible measures to deliver value to our shareholders. We believe that the NASDAQ platform which is why we chose the NASDAQ platform is a vibrant platform, has a vibrant set of fundamental investors who understand media, pay TV, technology, understand emerging markets and the growth they provide, we believe that, NASDAQ is a platform which is a platform which is transparent and we will attract the right set of investors which deserve a growth story like ours.

Moderator: Thank you. Our next question is from the line of Ratan Juneja from Mari Gold. Please go ahead.

- Ratan Juneja:** Gentlemen, what are the number of boxes as of date you have?
- Rohit Jain:** In general, we are maintaining an inventory of about 1 million boxes.
- Ratan Juneja:** Now assume a case if there is a genuine blackout which I believe is there in the balance states apart from the five states you mentioned, now my question here is, are there analog signals being transmitted for the balance states?
- Anil Khara:** Although we mentioned about these few large states stay orders but the remaining states also referring to the others state's stay orders have also started going slow and waiting for the stay order to get vacated where the first stay order was granted in Maharashtra. So as such there is no blackout any part of the country right now, there are both mix signals available which is digital cable as well as analog, the blackout was there in the initial period of few days of January but as the states started coming in the leniency started happening from the regulator side and also from the district collector authorities who were monitoring the implementation of digitization.
- Ratan Juneja:** Now if such a blackout happens again and the government is very strict so would you be able to take a large portion of the market of 20 million, the DTH industry would be able to take a large portion of that market in a few months time?
- Saurabh Dhoot:** Well, as I understand there are four large DTH operator in India who are equipped to grab this opportunity and cumulatively they might have stock and they might make availability of stock to the tune of 7 million to 8 million boxes and they will be position to install the boxes and activate the boxes. Again, we have seen where the blackout has happened, the entire city did not opt for DTH connections, as I mentioned the top 100 cities where we saw the spurt of two times to five times. So if that is the rate the DTH connections happen we will be too happy to cater to that kind of market share because in DTH again there is installation of the dish antenna and the activation process which restricts per engineer installation to maybe 10 to 11 connection in a day, but we have shifted our entire team to these markets where the spurts started happening, we are able to cater to whatever number comes in during the next blackout which happens.
- Ratan Juneja:** Now a very frank opinion I want is what do you see as the future, because see we are a value migration story, we are moving from analog to digital. After the phase of digitization what do you see the future of the digital cable industry specially viewed with the buying power the DTH carries and the CAPEX that is required to be invested by the cable operator? Where do you see the future of this cable industry, do you see a future or do you feel that the DTH will be able to wipe them out?
- Rohit Jain:** Well, this is a complicated question, it certainly requires a far more elaborate discussion. I think in a more one-on-one discussion we are happy to share our thoughts, but eventually it

will come down to, it is not eventually going to be either about DTH or cable, it is going to be about customer centricity and customer service. But the future of the industry is a very-very complicated subject. Largely speaking, the market size is very massive and so I think at the end of the day whichever player will deliver effectively will do well.

Ratan Juneja: No, will they be able to buy the content?

Anil Khara: You see there is enough space for both the operator cable and DTH and we do not think that DTH will wipe out the cable industry, the cable will stay there and cable will definitely lead the market share, we strongly believe that in the coming days DTH will be, if there is a strong 170 million television home in the country and we believe DTH will be 45% market share and cable will be around 50%. Both will remain and both will have enough market to cater to.

Ratan Juneja: Now one last question, how do you view Reliance Jio's entry into the cable industry?

Saurabh Dhoot: No, like we have always said in the past we believe OTT looks promising over time given the broadband infrastructure should improve in the medium-term. And while active engagement on various OTT platforms is currently low in India due to poor broadband infrastructure and high data cost, we believe this will gradually improve in medium to long-term through wireless technologies which clearly RJio is pioneering. And we expect the Indian OTT market space to be dominated by consumption on smartphones and of course TV everywhere, another OTT services will also leverage this interesting business model in future. In general, we see a quantum growth in content consumption happening on smartphone, on television, through DTH, through wireless technology and broadband in the future. I believe anybody coming in bringing in transparency and organizing this market as much as possible benefit the entire ecosystem all throughout. Also, if broadband infrastructure improves I believe we ourselves have many technologies and other ideas which would get much better traction and much better incremental growth to the company if India has a better broadband infrastructure. So all of those aspects are something which would only benefit us.

Moderator: Thank you. Ladies and Gentlemen, as there are no further questions, I would now like to hand the conference over to the management for their closing comments. Thank you and over to you.

Rohit Jain: Thank you all for joining the call today. Just to summarize, we have ended the first nine months of the fiscal year at 5.8 billion, this is up 34% over last year, up by 42% on Q3. We have closed the quarter at 14.95 million gross subs, 11.27 million net subs. Looking ahead, we are quite confident of being able to monetize the digital pay TV opportunity. Also, just to mention and Saurabh did briefly talk about it, we have also retained the services of Taylor Rafferty. This is a New York based leading cross border investor relation advisory firm, they would be working very closely with the management team to make sure we have best in class investor relation, investor communication program, supporting our overall capital market

*Videocon d2h Limited
January 28, 2016*

goals, helping us build shareholders value. Also, a copy of this call's transcript would be there on our website in few days' time as always. On that note, thank you all for joining in and wish you all a very Happy New again on behalf of the management.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Ambit Capital that concludes this conference call. Thank you for joining us and you may now disconnect your lines.