EDITED TRANSCRIPT

# "Videocon d2h Limited Q2 FY 2017 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to the Videocon d2h Limited Q2 FY 2017 Earnings Conference Call. As a remainder, 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 phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Nupur Agarwal -- Head of Investor Relations. Thank you and over to you, Ms. Agarwal!

**Nupur Agarwal:** Thank you. Good morning, everyone. Wish You A Very Happy Diwali in advance. Welcome to the Videocon d2h's Fiscal 2017 Quarter Two Results Conference Call. We have with us senior management of the Company represented by Mr. Saurabh Dhoot -- the Executive Chairman; Mr. Anil Khera -- CEO; Mr. Rohit Jain -- Deputy CEO; and Mr. Avanti Kanthaliya -- CFO.

I now hand over the call to Mr. Dhoot for his initial comments.

**Saurabh Dhoot:** Thank you. Thank you, everybody for joining us results call for the quarter ended September 30th, 2016. On behalf of our Board members and management team, I welcome you all on this call. I will take this opportunity to also wish all of you A Happy and Prosperous Diwali, it is the biggest festival coming up this week. Naturally consumer spending will be at its peak and we will be monitoring that. All the indications look encouraging.

On that note, let me share the results for the quarter ended September 30th of this fiscal , I am pleased to report that our EBITDA grew 37% this is in spite of the expected increase in service tax which was bound to impact ARPU.

Net subscribers increased by 230,000 in line with our guidance of 225,000 and net subscriber totaled 12.5 million.

The Company added almost 0.6 million gross subscribers. Revenue from operations came in at INR 7.76 billion; this is after adjusting for the change in accounting treatment of Entertainment Tax to bring it in line with industry practice. Rohit will explain that bit more in detail later.

On a like to like basis, revenue from operations for Q2 FY 2017 would have come in at INR8.32 billion, this would have been up 20.6% year-on-year.

Subscription and activation revenue came in at INR 7.11 billion, on an apple-to-apple comparison, subscription and activation revenue would have come in at INR7.67 billion, which would have been 21.9% year-on-year growth.

Adjusted EBITDA grew 37.3% year-on-year, to INR 2.63 billion in spite of the expected increase in Service Tax ahead of our guidance of INR2.6 billion.

One of the things we are most proud of is that adjusted EBITDA margins came in at 33.8% during the quarter, up 380 basis points year-on-year on an apple-to-apple comparison.

We have achieved a PAT of INR 148 million, free cash flows of INR 199 million in this quarter.

I believe the quarter clearly reflects our strategic imperatives. These excellent results are expected to continue due to our five-point focus strategy which I will review especially in light of the significant growth opportunity in the form of Phase-IV digitization ahead of us.

Working on our Phase-IV ambition firstly, with our efforts which we have focused over the past few quarters especially the last two, we now host an unparalleled distribution network of over 230,000 retailer that support our pan India brand, this is further helped by extensive marketing efforts along with so many strong brand partnership and associations, this will go a long way in Phase-IV. Our superior customer service continues to drive revenues. We are the only PayTV operator in India with a captive service infrastructure network which enables to provide the best installation repair turnaround time in the industry. This naturally will help us in keeping churns expansion control and this is going to again be very important due to our focus on Phase-III and Phase-IV.

Thirdly for a customer phasing business, we believe localization by adding more regional and local channels and premiumization in terms of HD offering will continue to be a accretive to us. This is going to further support our gain of subscribers in Phase-III - Phase-IV markets naturally our bandwidth availability technology and strength and our ability to offer proprietary content which fills up gaps and content market will continue to be a key focus area.

We have already taken massive HD channel expansion this quarter and launch margin accretive tailor-made packages for Phase-III, Phase-IV in the last two quarters.

Fourthly, we continue to lead the market and technological innovation. I have already mentioned a lot about this in the past. I believe in the new conversions era; this will help us create a very superior experience for our customers and this will create shareholder value in the long run.

Lastly, we continue as an organization and in our DNA in search of identifying ways that enhance operational efficiencies and further improve our overall margin. You can see that from the incredible margin improvement in the quarter. Few quarters back, we told you we would achieve EBITDA margins of over 30% and I am happy to share we have got there.

On a different matter, you would be aware of the tariff order which the regulator has released the first draft of, it is a very comprehensive new tariff order and covers content pricing guidelines for distribution of content from broadcaster to distribution platforms and from distribution platform to the end customer.

I will ask our CEO, Mr. Anil Khera to talk about this in more detail.

I believe the regulator has worked really hard to protect the interest of customers and consumers. As we have discussed in the past there is a significant different in what DTH industry pays for content as compared to cable, adjusted for carriage revenues, the DTH industry has been paying a lot more for the same content as compared to the cable industry.

The tariff order aims to create complete transparency in content deals and have a level playing field in commercial parity among distribution platform such as cable and DTH. Naturally this will be thrashed out over time and will go through its implementation challenges. We will keep monitoring this.

Coming on to guidance with a strong macro outlook favoring us, I am excited to share our guidance for the quarter ended December 2016 that is Q3 FY17. We expect net subscriber additions of 400,000 in Q3 FY 2017. We expect EBITDA to grow 34% year-on-year to INR 2.68 billion in Q3 FY 2017.

We continue to maintain overall guidance for fiscal 2017 which is to be PAT and free cash flows positive for the year. Also, this comes with an assumed gross subscriber addition of at least 2.5 million in the current fiscal.

I now request Mr. Khera for industry and business update.

**Anil Khera:** Thank you, Mr. Saurabh Dhoot. We are pleased to share that during the quarter, the must talked about and awaited GST bill was introduced in the upper house of Parliament and the amendment required to the current proposed bill was discussed and got approved. This was a significant development on GST front and the legislation process moved one step forward. There was no new information on GST rate or implementation process or timeline provided at that time. The government aims to progress on GST bill during the current fiscal year, with a view to implement GST starting April 2017. The GST bill is likely to be tabled in Parliament for the final approval during the winter session that starts in November. This would include the finer details of GST bill such as tax rate. This is a significant development for DTH industry and for the country.

Last year a panel headed by Chief Economic Adviser recommended a GST rate of around 18%. GST is also likely to subsume other form of Indirect Tax such as Entertainment Tax. If this rate gets implemented, we could see margin improvement to the tune of 300 -400 basis points. Moreover, GST reforms aims to improve ease of doing business in India by simplifying the tax structure. This is an important legislative step and we welcome this approval.

Talking about the tariff order as Mr. Saurabh Dhoot mentioned, earlier this month the regulator released a comprehensive tariff order. This is a draft tariff order and TRAI has asked all stakeholders to give their views by November 14, 2016. We expect a final tariff order to come in the current fiscal year as the regulator seems keen to implement this starting April 2017.

The draft regulation proposes that the distribution platforms earn a fix distribution fee and additional capacity fee depending on the number of channel carried and a commission for the pay channel distributed by the platform service provider. In a sense, the content cost most likely may become a pass-through expense and a discounted channel pricing from the broadcaster will be regulated.

The primary objective of the tariff order is to bring transparency and commercial parity in content deals for distribution platforms such as DTH and cable. This would also imply that cable will no longer be able to underprice his products to the end consumer. We are currently very carefully reviewing all the aspects of the tariff order and need some clarification from the regulator.

As Mr. Saurabh Dhoot highlighted in his opening remarks, we at Videocon d2h are extremely committed to enhancing revenue realization through a differentiated content offering, keeping in line with our focus on premium product offering.

During the past few months, we added 15 more High Definition channels to our platform, taking the total High Definition channel count to 60 High Definition channels and services.

The channels are from wide genres with specific focus on regional language channels in various large states including Maharashtra, West Bengal and Tamil Nadu. We are targeting to add many more High Definition channels to our platform in the near future. This will strengthen our premium bouquet offering in sports, Hindi and regional language, keeping in line with the trend of regional High Definition channels getting more viewership. We are confident that this will further strengthen our High Definition market share.

Lastly, the government seems stern on deadline for Phase-IV digitization which is 31st December, 2016. This is a huge opportunity ahead of industry as we believe there are 45 million to 50 million analog homes covered in this place.

Having said this, I would like to emphasis that DTH industry continues to grow its subscriber base regardless to digitization implementation. However, digitization helps us improve the timing of the subscriber addition. The higher transparency in subscriber reporting due to successful completion of digitization, Phase-I, Phase-II and Phase-III and with the deadline for Phase-IV digitization nearing, analog cable will no longer be able to underprice this product to the end consumer. Creating room for ARPU growth in the years to come.

I now hand over the call to Mr. Rohit Jain for financial update.

**Rohit Jain:** Thank you Mr. Khera. Before I talk about the results, just to highlight something Mr. Saurabh Dhoot mentioned earlier, we have implemented a small change in the revenue reporting some of you might have already seen the 6-K filing we have done some time back on this regard. We have started netting off Entertainment Tax from the revenue, previously this was reported as an operating expense item. The change is essentially implemented to adopt some industry best practice; we have seen many of the other players move to the same direction. This also helps us in preparation for the GST arrival. Given our expectations GST will subsume Entertainment Tax as well. This will lead to an optical change in some of the metrics such as ARPU and content cost as a percentage of revenue. We provided pro forma metrics for the last six quarters along with the results for ease of analysis. This is there in our Investor Presentation that you will wind on our corporate website.

We also started reporting ARPU on total reported revenue basis, primarily to capture some of the investor feedback over the last few quarters in order to simplify the ARPU calculation for the investors and the analyst community.

With that I am pleased to share the results in detail.

The total revenue came in at INR 7.76 billion. The key item has been subscription and activation at INR 7.11 billion, carriage revenue at INR 258 million which is a 31.7% roughly 32% growth over last year. Ad revenue came in at INR 82 million.

The adjusted EBITDA for the quarter grew 37.3% year-on-year to INR 2.63 billion. Margin came in at 33.8% for the quarter. On a like-to-like basis margin would have been 31.5% which is 380 basis points year-on-year growth. Content cost came in at 38.7% this has improved over last year by 200 basis points.

Fixed cost as a percentage came in at 15% that is 160 basis points improvement over last year. continuing our profitability focus we are reporting a net profit of INR 148 million as compared to net loss of INR 246 million, during the same quarter last year.

ARPU which is now basis total revenue came in at INR209. As per old ARPU definition like-to-like Q2 ARPU would have been INR 216, this is a 5.4% increase year-on-year. Naturally, ARPU has an impact of the Service Tax of 0.5% which was done in the month of June as per the expected guidelines provided by the government earlier.

Monthly churn came in at 0.72% for the six months ending September 2016 as compared to 0.82% for the first-half of last year. Hardware subsidies came in at INR 1,869 per subscriber. CAPEX for the quarter was INR 1.72 billion. EBITDA less CAPEX came in at a positive INR 907 million for the quarter.

At the end of the quarter we had term loans of INR 19.12 billion and total cash and short-term investments of around INR 3.76 billion. As you might recall we share in the last call, during the quarter we repaid term loans amounting INR 2.75 billion.

We are quite excited that the results are largely consistent with our strategy to enhance operational efficiencies, improve margins and to create sustainable a new shareholder value.

In summary, from guidance point of view, we have achieved net subscriber addition of 230K as against our guidance of 225K and EBITDA of INR2.63 billion as against our guidance of INR2.6 billion.

With this, we conclude our remarks and open the floor for questions.

**Moderator:** Sure, thank you very much, sir. We will now begin the question-and-answer session. We have first question from the line of Rajiv Sharma from HSBC. Please go ahead.

**Rajiv Sharma:** Few questions from my side, more or less related to the new tariff order which is in the draft stage. So, Rohit, how does it appear to you when the regulator asks to provide all the channels À-La-Carte, do you think DTH will have any structural issues in terms of capacity because so, far it has been slicing and dicing some 300 channels - 400 channels. But this may mean that you may have to provision for more, I mean you and all the other DTH players, will this mean that incremental CAPEX on AMPEG-IV or more transponders or more OPEX? And how do you set up your backend and billing systems and where do you see the cable in this regard? Second is so far Videocon and Tata Sky has really done an excellent job in terms of content packaging around pay channels. Other players have not been so sharp, Airtel also has been sharp, but the question here is that now that there is a standard 130 package, the number of pay channel take up will come down. So, there is a good EBITDA per subscriber improvement but is ARPU growth going to be a challenge? Those are my two initial questions. Thank you.

**Anil Khera:** To answer your question on tariff order, you see the primary objective of the tariff order is to bring transparency and commercial parity in content deals for cable and DTH and this could also imply that cable will be no longer will be able to underprice this product to the end consumer. As your regards your question on the bandwidth is concerned, you see we are having no constraint on bandwidth and we have all the important channel already available on the platform and as regard À-La-Carte pricing is concerned these channels are also available currently on À-La-Carte basis as well as on the some package basis. If you study the tariff order carefully, this allows platforms to offer the packages in the bundles of 25 channels as well as it allows operators, distribution platform to offer channel on À-La-Carte basis also and as regards your one concern about our system ability to run these many packages, we have robust À-La-Carte IT infrastructure which is already in place and is working and we are successfully managing our large customer base of 13 million subscribers currently. And in case, the customer wants to opt for the package or choose the packages or À-La-Carte, we are fully geared up as regard system is concerned.

**Rajiv Sharma:** Just to add sir, currently you have 10 standard plans - 15 standard plans, if this was to go up to 1 lakh or 2 lakhs because this will be the choice of the consumer end will be more so, Telco's do it they have sort of one plan for each subscriber, can the DTH also replicate that and what is your thought on cable replicating similar packaging?

**Anil Khera:** You will be very surprise to know I mean it appear that we have 20-30 packages but on the system if you see that we already have some 5-6 million packages because each subscriber decides a standard pack, he has also subscribed for some add-on services obviously and other subscriber has not subscribed. So, we already operate 5 -6 million packages in the system and after this tariff order we checked our system and our IT is confident that they can handle 10 million plus packages, and there is absolutely no issue on that. We are not concerned on that.

**Rajiv Sharma:** So, my second question**.**

**Rohit Jain:** Sorry, could you repeat your other question?

**Rajiv Sharma:** Yeah, so my question was that so far DTH edge has been packaging content and you have derived your growth from ARPU growth by taking tariff hikes, upgrading subscribers to higher packs. Now with this new construct after the subscriber pays 130 for 100 channels and then, his budget to go for pay channels will be limited. So, as you rightly mentioned that EBITDA per subscriber will improve because content cost will be a pass through. But what about ARPU growth how do you see that?

**Rohit Jain:** Well it is too early to be able to be able to sort of gearing to the mechanics of these things. We are still in the process of studying the guidelines, there is still a dialog going on, we understand this is draft in nature right now. I think many of these finer details will emerge over a period of time it is probably too premature to be able to sort of to be able to quantify and foresee each of these parameters today.

**Rajiv Sharma:** Yeah, I do get that. I just wanted some color like how do you see in the current form, what is your take on this issue of ARPU growth?

**Rohit Jain:** Like I said very difficult to comment today unless we know really, each and every finer detail of this.

**Saurabh Dhoot:** I think and I would also like to add, I think what is tracked is not just ARPU it is also gross profit per subscriber.

**Rajiv Sharma:** Yeah, that definitely goes up because content is a pass through, but year-on-year your ability to take tariff hike that is what I was not sure how will you go about it?

**Saurabh Dhoot:** No, I do not see that as a limitation, for sure.

**Moderator:** Thank you. We have the next question from the line of Vikash Mantri of ICICI Securities. Please go ahead.

**Vikash Mantri:** On the numbers front, just trying to understand the accounting changes, on our revenue line; What is the quantum of Entertainment Tax that has get netted off from the revenues? And also, what is the quantum of activation revenues which have been grossed up?

**Rohit Jain:** Revenue side what we have reported is really INR 7.7 billion of revenue. I think as per the old accounting we would have reported close to INR8.3 billion as an approximate level we are talking about INR 0.6 billion of netting off. But in terms of activation revenue you know this is something that has come up many times in the past as well, at this point we do not do any segment reporting of activation revenue separately.

**Vikash Mantri:** No, so, just for this quarter because there is an accounting change, I am trying to understand, out of this INR 0.6 billion, how much is Entertainment Tax and how much is others?

**Rohit Jain:** Well, it is only the Entertainment Tax that has changed, there is not any other accounting change, right we have not done any change in accounting policy with respect to activation revenue.

**Vikash Mantri:** No, now you are netting off the discounts.

**Rohit Jain:** The trade discount.

**Vikash Mantri:** The trade discounts.

**Rohit Jain:** That were netting off earlier as well.

**Vikash Mantri:** Okay. So, it is only the INR 0.6 billion is purely Entertainment Tax which has got reduced?

**Rohit Jain:** That is right.

**Vikash Mantri:** Okay. This would have a close to 6% of that INR 0.6 billion as a benefit on the license fee or we were always paying no license fee on the Entertainment Tax?

**Avanti Kanthaliya:** No, Vikash license is anyway that we were paying on that AGR basis so, there is no impact on licensing.

**Moderator:** Thank you. The next question is from the line of Ankur Periwal of Axis Capital. Please go ahead.

**Ankur Periwal:** Just two questions, first with reference to the TRAI draft regulations still draft in nature so, we need to see how the final print looks. But just trying to understand so, the way it is structured is 100 channels and you pay a fixed amount to the distributor and for every incremental channel, you pay an incremental fixed amount. So, just trying to think through, is there a significant benefit of scale here? For example, as Videocon d2h whatever, you have 12-15 million subscribers, one or two years out versus any other smaller DTH player or cable player with a 5-8 million subscribers. Will there be a significant difference in terms of you know operating leverage or offering that this guy will have?

**Rohit Jain:** Definitely the DPO which has got a higher subscriber base, they will get more revenue as fixed revenue of Rs. 130 per subscriber per month to cover the operational cost. Definitely there is an advantage of scale.

**Ankur Periwal:** No, so, you are referring advantage from a number of channels provided point of view. My question was more from a number of subscriber base, so, let us say as Videocon d2h with a 15 million net subscribers one year or two years out versus any other cable company let us say with a 5 million subscribers or a 7 million subscribers will there be a significant operating leverage in terms of let us say content cost for example, because the variation as I understand will be at best be 15% now the discount that you may get. Is that right understanding?

**Rohit Jain:** Yeah, I think that depends also on what guidelines come out eventually. Also it depends on what parameters are chosen for the 15% discount if at all that is the construct. We do not know what sort of linkage will it have with size or not so, that is yet to be ascertained.

**Saurabh Dhoot:** Let me add here, fundamentally you must appreciate content by law is not exclusive in India. So, we have been operating in an environment where everybody has the right to take whatever content they want, so we are not in a situation where suddenly that has changed at all and if that has not changed one not assume that any operator small or big has the right to take whatever content and package it and give it to the customer in whatever form they want. So, when that content advantage was non-existent naturally companies especially the DTH sector I believe has done a lot of work in differentiating themselves on various parameters whether it is quality, service, scale, VAS, add-ons, there are lot of factors in play as to why key players over the last 5-6 years have stood out and have become leaders and naturally those strengths are bound to continue. It is only innovation and ability to innovate on pack utility of the customer which drives your ability to get more value from your customer base.

**Ankur Periwal:** Fair enough. Saurabh just one more clarification here. In one of our earlier comments we did mention we have the ability to implement possibility even 10 million different packages in our system as Videocon d2h. so, that will be a right understanding to say that under this mechanism largely the consumer opting for À-La-Carte channels whichever he wants you know package based implementation looks like you know outdated thing now?

**Saurabh Dhoot:** Yeah, but I wanted to explain to you À-La-Carte is already a pre-existing option with customers, they have the full right to create their own packages since quite some time.

**Ankur Periwal:** No, but the current pricing is so **exorbitant** that you do not feel like going for À-La-Carte because the value offering you get some different package is much-much more value accretive from a consumer point of view.

**Saurabh Dhoot:** Well that is one way, one may interpret and one other way which customers see it is that this is very cumbersome for them to sit and make their own packs when they can get so much value for already existing packs at that price.

**Ankur Periwal:** In fact, that was my next question how do you think the implementation in terms of every subscriber opting for a specific channel will play out because that looks like a cumbersome process itself.

**Saurabh Dhoot:** So, that is what I am saying, customer, so while a company is geared up for any innovation required by the customer, the question is the customer wanting to take benefit from that ability because he probably already has a better deal.

**Ankur Periwal:** Okay, fair enough. And just lastly, what is our contingent liability for the license fee due which stand right now?

**Avanti Kanthaliya:** Around INR5 billion.

**Moderator:** Thank you. The next question is from the line of Kunal Vohra from BNP Paribas. Please go ahead.

**Kunal Vohra:** First is on the Indirect Tax level which you currently have like Service Tax and Entertainment Tax what does it come to total, you mentioned margin improvement was 300-400 basis points when GST becomes operational, does it also include some logistics savings or purely it is on like the taxes?

**Rohit Jain:** Right now we are referring only to the taxation. Currently our taxation comes anywhere in the range of 22% to 23%. So, what will be the eventual GST rate we will have to see. In terms of logistical cost and all that, that is yet to ascertain we will have to, the long-term benefits of ease of doing business is something that we will have to quantify over a period of time.

**Kunal Vohra:** Sure. And second question is slightly continuation of what the previous question was, like say for the high-end customer who are passive and who might be taking all the channels, it will become a lot more expensive as all channels will be charged separately and there would not be any discounts on packages. Do you expect like some resistance like how do you please those customers because those customers may have a problem with everything becoming À-La-Carte.

**Anil Khera:** You see, the tariff order gives the flexibility to the broadcaster to design their own bouquet which they can offer to the customer and the cost of the bouquet as per the draft tariff order should not exceed the total of À-La-Carte 15% discount. So, that means that they have carefully price their even À-La-Carte pricing because the total of À-La-Carte prices they can give only 15% discount as a bouquet. If they want more and more subscriber to opt for their bouquets then their À-La-Carte pricing has to be much below the higher caps which TRAI has allowed to the broadcaster. But this question will remain un-answered till the broadcasters actually announce their pricing and then only, we all will know that how it is settling down and broadcasters are likely to announce as per their tariff order by the last date which the regulator has given them, that is 1st March, 2017 the broadcaster will announce the pricing.

**Kunal Vohra:** It is a very difficult choice for the broadcaster as well because let us say currently somebody who is paying INR 500 - INR 600 might be getting 40 High Definition channels to 200-300 like SD channels and if you add up like kind of pricing which TRAI at least cap which TRAI has recommended the amount which will go like amount for the customers who were opting for your high-end packs might go to beyond INR 1,000 so, do we see that problem? And also like do you see this happening, getting implemented from 1st April or you see it getting into litigation because I think there could be many teething issues in this.

**Anil Khera:** Kunal, the guidelines announce are the highest price, that is the cap and it is not necessary that they have to announce as per the cap, they are free to announce much below the cap put on the genre wise pricing.

**Kunal Vohra:** Sure. And lastly on the trends in High Definition what is the contribution of High Definition incremental customers what proportion is the High Definition and yeah, the ARPU trends?

**Anil Khera:** We continue to see the 60% of our new subscriber see High Definition Set Top Boxes. The only reason we are able to do this is because of our manufacturing cost advantage and we strongly believe that demand for High Definition packages and boxes will continue to pick-up and because of the higher sales in the large screen size LED TV and also introduction of regional High Definition channels recently by all the broadcasters. So, that is also going to drive the growth in the High Definition. High Definition as a total percentage has increased from 5% two years ago to 12% now and we offer a lot of High Definition add-ons for various genres making it possible for our subscriber to sample our High Definition in a smaller quantity instead of upgrading to full High Definition package.

**Kunal Vohra:** Okay, sure. Sir, lastly one more question if I can, like there have been rumors have Videocon and Dish TV going on for last few months. Any comments which you can make on that?

**Saurabh Dhoot:** We do not comment on market speculations.

**Moderator:** Thank you. We will take the next question from the line of Utkarsh Khandelwal of Morgan Stanley. Please go ahead.

**Parag:** Hi, good morning, this is Parag here. Just three questions from my side. Firstly, we have generally seen DTH companies is taking price hikes at least twice a year, we have seen that happening in the first-half and we have not seen anything so far given that we have generally seen something happening pre-Diwali. Is it just because we took a larger price hike and that is the reason for not taking something in the second-half or is there something else to it. So that is question number one. The second is, I see that your monthly churn has gone up in the second quarter to about 0.9% so, is the seasonality at play or is there something else to it? And finally, your EBITDA margins are now well above 30% if you could give us a sense of how do you see EBITDA margins going forward without keeping GST in mind so, assuming current business as usual where do you see that going given that your content cost is higher than the listed player in the same sector. Thank you.

**Rohit Jain:** With respect to your questions, let me see if I got all your question, right, with respect to your point on churn, churn has not gone up I think churn we have always said there is certainly seasonality quarter-to-quarter. You would have seen that if you look at our data for the company is over the last –8-12 quarters you will see that seasonality is there. If you look at our Q2 churn of this year it is marginally lower than last year. Having said that we do not read too much into minor drops or minor improvements, I think over the last sort of 3-4 years, if you see our churn has been stable anywhere between 9% to 10% and if you look at the first-half put together we were at a churn rate of almost about 0.7%. So, I think it is nothing it does in the seasonality of quarter-to-quarter and the best thing to do would be to compare it with the similar quarter last year and not the preceding quarter. On your second question with regard to EBITDA and again this is something we have always said that we believe this is a business where you should get to low-to mid-30’s in terms of EBITDA margin. We are quite happy, something that we were sort of foreseeing happening four quarters earlier it is something that is actually playing out. We are the way we thought the stable business should come into naturally we will continue to explore to other means of margin expansions whether it is operating leverage of if there is any expansion that comes off because of industry changes on regulations or anything but I think at this point we think margin levels are fairly sort of healthy and you know give or take a little bit deviation we expect them to sort of being stable at these levels of margin. What was the other question?

**Parag:** Price hikes in the second-half?

**Rohit Jain:** Yeah, I mean if you see in the last –5-6 years may be this is something Mr. Khera can throw more light or there have been years where we have done one price hike and there have been years where we have done two prices hikes. I do not think we sort of take our selves any specific time plan in terms of price hike, it depends on a lot of factors of industry consumer demand, what sort of new content you know there are many different variables going into that, we have never set out a specific sort of time plan to the company to do price hike. Naturally, one of the thing what you said was also correct that the last price hike was in any case sort of a healthy price hike compared to the normal trend so, unless Mr. Khera has anything more to add.

**Anil Khera:** Rohit, you are right the last price hike was almost 2x than normally what we do and we will relook at the price hike at the appropriate time as per the market dynamics and we continue to maintain that we will look at one price hike every year.

**Saurabh Dhoot:** Look, I think on a matter of perspective one needs to see that what drives this as the market becomes more organized and transparent, the market dynamics in the entire industry across the entire sector, across different distribution platforms plays a big role in what is the right market price at which these services should be offered. So, clearly that is the fountain from where these decisions get taken, I do not think we set any targets or give any guidance on this subject of when we plan to do these things. But what matters is as the market becomes more and more transparent as the market is more and more organized naturally, the market dynamics will go on upwards trend.

**Moderator:** Thank you. The next question is from the line of Rohit Dokania of IDFC Securities. Please go ahead.

**Rohit Dokania:** Mr. Khera mentioned that there are few topics on which you require clarifications from the regulator, so would you please discuss one or two of them?

**Rohit Jain:** I think this is still a discussion with the regulator there are many aspects of that, it would not be probably correct of us to mention that in the public domain at this point. I think each of the industry representative are trying to understand in detail the comprehensive guideline, and try and identify what sort of challenges or improvements can be there, I think that is probably less and it should continue in that way.

**Rohit Dokania:** Sure, okay, no problem. And the other thing was so, is my understanding correct that while carriage has been regulated placement and marketing as per the draft tariff order has actually been broadly left to market forces?

**Anil Khera:** You see, that goes in favor of DTH industries so far, the carriage was only paid to the cable industry. Now, directionally it is very positive for DTH industry and both will have level playing field on carriage, and DTH industry is fighting to get this carriage from a long time.

**Rohit Dokania:** So, but not regulating placement and marketing do not you think then the whole purpose of making the tariff order non-discriminatory, could get defeated if placement and marketing is actually left to market forces?

**Anil Khera:** Only the marketing part is in forbearance which from broadcaster to the platform but so, there are still many such open points which needs to be clarified with the regulator.

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

**Yogesh Kirve:** Sir, could you provide any insight regarding the traction that you are getting on the platforms services that you have especially the Videocon d2h Cinema service that you have, how many subscribers that we are having and what sort of growth are we seeing over there?

**Anil Khera:** We get very significant traction on d2h Cinema but we cannot disclose the actual numbers of each active service we are providing, that how much is the actual subscriber but we are getting very significant and very good revenue from these services.

**Yogesh Kirve:** Okay, fair enough. At least you can share what sort of increase we are getting in terms of number of subscriber, is it like upward of….

**Anil Khera:** It is very encouraging and we have good numbers of subscriber and there large number of subscriber keep coming and going depending on the new releases.

**Yogesh Kirve:** Sure, sir. And sir, finally regarding the changes in the reporting, I understand you reported an ARPU of INR 209 and you are also providing the grossed up ARPU which is about INR216 so, this would imply the Entertainment Tax works out to something like INR0.3 billion whereas difference in revenue that we has talked about was INR0.6 billion. So, was there any other change or?

**Rohit Jain:** There is not any other change the Entertainment Tax like we said would be about INR 0.6 billion, the ARPU difference is not entirely on account of just Entertainment Tax. The ARPU difference is also on account of the fact that we saw erosion of revenue of because Service Tax went up by 0.50%. I do not think the reconciliation of ARPU is the same thing as Entertainment Tax, there are many other variables to ARPU.

**Moderator:** Thank you. Due to time constraints, we will be able to take one last question. We have the last question from the line of Amit Kumar from Investec. Please go ahead.

**Amit Kumar:** Just a quick sort of follow-up on the previous participant, I understand carriage will not be paid to you as far as the larger channels or PayTV broadcasters are concerned; but as far as smaller free to air channels are concerned why is that DTH has not been able to get any sort of carriage from those guys? You have a fair amount of discretion in terms of which ones of those relatively smaller channels to carry and which one is not to?

**Anil Khera:** It is not correct that DTH platforms are not getting carriage from free to air channel. There is a fair amount of revenue which we have been getting for free to air channels also and it is continuing to grow already and we have projected in our revenue also very good growth for free to air channel carriage fee.

**Rohit Jain:** Just to go back, we reported a carriage revenue of INR258 million for the quarter, we are doing carriage revenues upwards of INR 1,000 million almost a INR 1 billion, naturally our business model is not built in the fashion the analog cable is built, but on a very transparent basis we do have healthy growth of carriage revenue.

**Amit Kumar:** All right, fair enough. Just wanted to understand this low-price packages specifically for Phase-III and Phase-IV that you have launched, what is the kind of traction that you are seeing there?

**Anil Khera:** In fact these packages were designed to expand the market and when Phase-III and Phase-IV opened up for digitization and there the customer use to pay lower ARPU. So, we wanted market to get expanded that is why these smaller packages were introduced. But we have seen a successful traction of these customers now subscribing to various add-ons services along with the smaller packs. So, our ARPU which we already see is growing better on this lower pack subscriber also.

**Amit Kumar:** Just a small of point, the reason why I was asking this point also is that if you look at your ARPU on a Q-o-Q basis there is a decline on a like-to-like basis there is a decline of about INR2-3 depending on whether you are looking at gross or net ARPU. So, is this on account of the new LPPs?

**Rohit Jain:** A lot part of that is on account of the Service Tax change really, the impact on account of these packages is very-very minimal; having said that, the impact of these packages on the revenue realization and EBITDA is fairly positive.

**Amit Kumar:** Okay, Rohit but I mean the incremental Service Tax is only half a percent essentially so, that would still INR 1 sort of impact which is the ARPU would have even excluding that your ARPU would have still declined?

**Rohit Jain:** Yeah, I mean the impact would be larger because what we are reporting is really accounting ARPU by net sub if you look at an average subscriber, the money that he is actually paying is usually higher. Having said that, like I said there would be marginal impacts on account of pack changes but you know that is not something that we are worried about we are quite excited. Some of these experiments are showing signs of working and traction and the impact it has on the revenue realization, I think as we get into Phase-III and Phase-IV and get into experimenting things that are tailor-made for market, we are quite excited if we are getting positive attraction on that because of the revenue realization. Also, I think some of these are very-very margin accretive, the margin structure on them either similar or marginally better sometime. So, I think as a company we are really focused on making sure as the market is sort of growing the digitization process growth (a) we are expanding our subscriber base, (b) we are improving our revenue realization and really improving our profitability.

**Amit Kumar:** All right, understood. Just one final point, would you be able to quantify what percentage of your existing subscriber base will be on that 99 plus add-on kind of an arrangement?

**Rohit Jain:** No, we do not break that down.

**Moderator:** Thank you very much. That was the last question ladies and gentlemen. On behalf of Videocon d2h Limited, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.