



“Videocon D2H FY15 Earnings Conference Call”

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MODERATOR: **MR. SHALEEN KUMAR– UBS SECURITIES INDIA PRIVATE
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Videocon D2H FY15 Earnings Conference Call hosted by UBS Securities India Private Limited. As a reminder, 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 call is being recorded.

This conference call includes forward-looking statements within the meaning of Safe Harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to risk and uncertainties.

I would now like to hand the conference to Mr. Shaleen Kumar. Thank you and over to you sir.

Shaleen Kumar: Hello everyone. Thank you for joining us for Videocon D2H first result call post their NASDAQ listing in April 2015. UBS is pleased to host the call today. We have with us on the call Mr. Saurabh Dhoot – Executive Chairman of Videocon D2H, Mr. Anil Khera – CEO, Mr. Rohit Jain – Deputy CEO, Mr. Avanti Kanthaliya – CFO, Ms. Nupur Agarwal – Head, Investor Relation. Additionally, we have Mr. Harry Sloan and Mr. Jeff Sagansky who are in the process of joining the board. I now hand over the call to Mr. Saurabh Dhoot for his opening remarks.

Saurabh Dhoot: Thank you all for joining the call and thanks to UBS for hosting our call today. Our Board Members, Management Team and I would like to welcome you all on our first results call following our listing on NASDAQ in April.

We have had the pleasure of meeting many of you during our listing process in the last few months and are extremely delighted to have you all on our call. We would also like to thank our shareholders for making a NASDAQ debut a success, your support has resulted in Videocon D2H now being the largest media company from India to be listed in the United States and also the largest Indian company by market cap to be listed on NASDAQ.

I am pleased to declare that with the hard work, dedication, and diligent execution of our team led by our CEO – Mr. Anil Khera, we concluded our fiscal year 2015 ending in March with record performance, ahead of the plan which we had disclosed in earlier filing.

We have delivered the performance we promised and we outperformed on various metrics related to the market. We have exciting growth ahead of us and we have achieved the following key metrics. We had over 32.5% revenue growth over fiscal 2014 to Rs.23.4 billion, over 55% growth in adjusted EBITDA to Rs.600 crores, 6 billion which is equivalent to US\$97.3 million with margins coming in at 26.1%.

We had 2.64 million new gross subscribers taking the total tally up to 13.1 million subscribers. FY15 ARPU grew to Rs.196 which is ahead of the guidance we had made and we had Q4 ARPU coming in at Rs.202. We continued our tradition of leading the DTH industry, a new

growth subscriber addition for the fourth fiscal year in a row consistently. We are well positioned for continued success in fiscal 2015 as well as we have done in the past. Videocon D2H continues to be the fastest growing pay TV operator in India. We have 20% net subscriber market share which is up from 9% four years back.

Maybe I can begin by giving us a little background on the macro opportunity in which we are operating. Pay TV in India is strongly positioned for extraordinary growth over the next four to five years with almost 90 million to 100 million homes that will be up for grabs by digital cable and satellite operators as the government rolls out this digitization mandate across the country. That should get us 70 million analog subscribers to take the digital call to go digital in the coming years. Naturally we will also have 25 million to 30 million new television homes being created by the strong economic growth as we speak with the first time buyers.

DTH is well positioned to take a significant share of this opportunity and we expect within DTH to continue and maintain the market leadership in new subscriber addition over here. With the Indian economy growing strongly, GDP growth rates overtaking China it is expected that overall media sector will grow robustly in the years to come. This would help clearly grow ARPUs, TV penetration, HD uptake and overall revenues for pay TV in general and DTH in particular given the characteristic and business structure advantages which the DTH sector already enjoys in India.

One clear advantage of DTH is clearly HD. Given clarity of the relationship with content providers, their B2C relationship with the customers, the exception of the customers, the bandwidth we have compared to analog cable. Currently, almost 95% of the HD subscribers in the overall pay TV market are on the DTH platform.

Maybe I should also give a little bit more color on customer traction with regards to packaging and where the market is most active and where innovation is happening on packaging. You see we continue to see very strong demand on the higher premium content packages, in FY15 almost 30% of our incremental net subscribers opted for HD packages, as on March 31st HD subscribers represented 10% of the total net subscriber base, this is double, this is 5% which is over 5% what we had in FY2014. We expect this penetration to only increase in the coming year and this will have a clear positive impact on ARPU of course.

On other aspect, we keep monitoring consumer demand patterns and modifying our package offering accordingly. We have introduced skinny, low cost Rs.99 pack with add-on, with regional language add-on in certain regional language driven markets targeting low cost analog cable subscribers for the first and of course the first time DTH users in Phase-III and Phase-IV areas. Given the low content loading on this fact, our gross margin levels on these are higher and provide a healthy absolute margin like the others on average. However, so far it is important to note here, we have seen limited pick up for this package, mainly as customers get attracted to these packs but prefer higher packs due to the higher margin or utility they get out of the content in those higher packs.

As always, we continue to maintain a competitive advantage for various reasons, whether it is the new technology, MPEG4, DVB S-2 we are going to launch our Cisco MBH products this year as well, we have formal compression which gives us a very important bandwidth advantage, allows us to package more HD channels, more regional channels, we continue to upgrade and increase our retail distribution network reaching close to 200,000 outlets across the country making it very convenient for our subscribers to come on the network as well and recharge. We continue to increase our great focus on customer service, we are the only operator with own captive service, network and we also have the best installation and repair turnaround time, 97% of our new subscribers get installed on the same day. We have a unique control on the box supply chain with research and development and local manufacturing capabilities, we believe that has helped us a lot as well to respond and be ahead of technology.

Well, as you are aware, we closed and got listed upon closing of the business combination with Silver Eagle Acquisition Corp, we have now 293 million equity shares that is equivalent to 98.25 million ADSs outstanding. We received net 273 million in proceeds from the transaction, of this we have already retained gross debt of around 100 million, we have planned everything, another gross debt of 80 million to 100 million soon in H1 of this fiscal. The gross debt of the company at year end was Rs.25.9 billion, cash and bank balance if you use restricted cash as well was around Rs.13 billion in FY15. We are actively exploring alternative source of debt financing in the Indian and international markets that is targeted to reduce our borrowing cost, reduce our finance cost and interest cost.

Now given the strong visibility in our business due to the nature of the pay TV, we are prepared to provide a high level of guidance at this time and I am happy to share with business delivering strong growth we expect to achieve the significant milestone of achieving free cash flow breakeven after finance and interest cost and CAPEX as well. Also, we will be achieving a positive PAT level towards the end of FY16.

On the subscriber front, with regard to guidance, we are guiding towards 1.3 million to 1.4 million gross subscriber additions in H1, the next six months. So this is similar to last year but of course note that last year H1 was strong also due to the national election which played a major role. H2 will be stronger than this, but also it is also linked to the timing and pace of digitization. Of course we are confident to maintain market leadership in new addition in FY16 as we have done in the past.

On the EBITDA front, we expect H1 FY16 EBITDA to grow 25% to 30% despite lower content cost in H1 FY15. We hence clearly expect a higher EBITDA growth than we have guided for H1. In H2, this is clearly all to do with the content operating leverage which we will enjoy in H2. You see, it is important to note here that in H1 2015 we benefitted from the tail end of prior content deals while in H1 2016 we have front loaded content cost under the new content deals which we had done in the later part of last fiscal. These are long-term deals, so hence the content leverage kicks in later.

On the ARPU front, we expect FY16 outlook to grow to around Rs.215 in FY16. On content cost, we expect it to decline from the 13% level seen in H2 FY15, I have already covered this point by 100 to 150 basis points in FY16.

I request Rohit Jain, our Deputy CEO, to give a much bigger detail on the financial summary.

Rohit Jain:

Thank you so much. I am happy to share that our results for fiscal '15 were strong and ahead of guidance provided earlier. The total revenue grew 32.5% year-on-year to INR 23.38 billion. This further breaks down into subscription revenue that came in at 20.58 billion which is more than 38% growth over fiscal '14. The lease rental revenue came in at 927 million which is a 22% growth over fiscal '14. The carriage revenue came in at 580 million which is a 75% plus growth over fiscal '14. Advertising revenue came in at 100 million. This is a new activity we started in last fiscal, there was not any such revenue in fiscal '14, which leaves tremendous amount of room for growth in this area. And the balance is miscellaneous revenue.

We achieved adjusted EBITDA of Rs.6.09 billion for fiscal '15 as against Rs.3.92 billion for fiscal '14. This resulted in a growth of more than 55% over last year. This is ahead of the guidance we had provided of INR Rs.5.9 billion during our investor meetings, during the listing process.

I would like to also note this adjusted EBITDA is before accounting for onetime issue related expenses and the impact of ESOP scheme, both of which totals to Rs.135 million. The adjusted EBITDA margin expanded 390 basis points to 26.1%, this is despite the recent increase in content cost. The new agreements however provide great security and visibility on our content cost over the next few years to come which gives us operating leverage as our subscriber base and ARPU increases.

The fixed cost as a percentage of revenue declined from 20% in fiscal '14 to 17% in fiscal '15. The net loss for the year came in at 2.7 billion which is a 15% improvement over the last year. We added 2.64 million gross subs and 1.75 million net subs in fiscal '15 which represents a 25% and a 20.6% growth over last year. We closed fiscal '15 with total subs of 13.09 million and net subs of 10.18 million.

The subscriber acquisition cost came in at Rs.1984 for fiscal '15 as against 1890 for fiscal '14. This increase was mainly due to higher high definition mix. We expect this number to come down by \$1.5 to \$2 for fiscal '16. The CAPEX for fiscal '15 was Rs.7.65 billion as against Rs.6.25 billion in fiscal '14. This increase was on account of higher subscriber additions and also high definition addition additions that we have done in this year.

With that, we conclude our opening remarks. We would soon also would be filing the 20F which would greater amount of details in terms of schedule annexure. We would like to on behalf of our management, thank you for all your support and participation and open the floor for any questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Arvind Bhatia from Sterne Agee. Please go ahead.

Arvind Bhatia: My first question guys is on the competitive landscape right now that you see, would love to get your high level view of how you see other players performing right now and how you are going to effectively compete with that right now? Thank you.

Saurabh Dhoot: Right. As I have mentioned in my opening remarks that we maintain our leadership and consolidated our leadership position in many of the markets we operated and we continue to do so. We have very strong insight on the ground and we have a very innovative team which ensures that we are one step ahead. With regards to perhaps the aspect of, as I mentioned probably if your question was linked to that, we have some competition launching new low cost packages, we believe that the strategy behind skinny low cost packs getting introduced is purely to expand the market organically, especially in the Phase-III phase of markets. Now the purpose of the lower cost package is to offer in certain states the opportunity for new customer to migrate to DTH from cable or first time pay TV customers to sample our service, we actually welcome this innovation, anything that expands the market organically is great. Clearly for Videocon from that perspective I would like to point out specifically on the competitive update with regard to HD. We again maintain very strong number one leadership position on HD pack traction as well, we have technology advantages, the best highest number of highest number of HD channels and we are leader in bandwidth and these advantages are there with us. Clearly, we are focused on driving these high end HD packages as well as driving higher realizations per subscriber and that is primary strategy which we are focusing on.

Let me add here that with the innovative team we have here, we believe wherever these low prices packages do offer a decent utility to our customers and also maintain our higher variable gross margin then the average, we have introduced them in some markets and it is actually a win-win gaining new subscribers who later can upgrade and generate positive margin revenue. Though, it is very important to note here that as of now the traction to these particular base packs, low cost base packs remain a traction to the traction we have on our premium packs on a daily basis.

Arvind Bhatia: Okay. Just one follow-up regarding your margins, they have been impressive, you have increased margins 390 basis points as you reported. I was wondering if you can help us understand your long-term goals, given the content cost and subscriber acquisition cost and things of that nature, where would you feel comfortable say three to five years out where you adjusted EBITDA margins could go to?

Saurabh Dhoot: Well, we continue to expand the margin last year, this year, going forward we are even guiding for a higher margin than last year. So we expect to of course be over 30% over time.

Moderator: Thank you. Our next question is from the line of Fredrick Lacy from Fincom Investment. Please go ahead.

Fredrick Lacy: I had a question, it went a little bit fast and I am not sure I heard that correctly that you paid down \$100 million of debt already and had planned to 80 million to 100 million in the first half?

Saurabh Dhoot: Yes, absolutely, you are right.

Fredrick Lacy: And what about the debt seems to be awfully high interest for such a high quality company, so you mentioned that you were looking debt, do you think it is feasible to restructure the remaining debt at a friendlier rate?

Saurabh Dhoot: Yes you are absolutely right. Since we have just closed the transaction in April, we got down to also having better rating for the company, we will enable that and we have already initiated the discussion with lenders to reduce our interest cost. We also have tools to ensure that we have credit lines which are much cheaper because of our strength of our balance sheet today. So I am sure we will achieve this, we will achieve and we will have a much better outlook on this subject in the next quarter.

Fredrick Lacy: Sure, then with the new windfall, you have a number of exciting potential verticals or markets you could expand to in addition to just growing your growth. What would you say would be your first top two priorities in terms of driving subscribers and revenues over the next year?

Saurabh Dhoot: Right. So a very good question, so we are very focused on organic growth, most of our CAPEX is to fund that growth, that is what is being happening. We are free cash flow on that front so we have lot of flexibility in ensuring that we continue and maintain our market leadership. We also spoke about in my earlier remarks our efforts to expand the market organically with innovative packaging. Of course ARPU and HD growth would be because of the traction we are just getting, it is going to be a big driver. Though I would like to point out two keyother sources of revenue which are going to have a lot of focus, we have in fact put fresh teams over there, increase the number of people working on those verticals, so one is advertising income. Now we reported ad revenue of Rs.100 million in FY15 and saw significant upside from here in future years. We have launched several of our own channels in multiple genres some of which are add revenue driven and some are subscription driven value-added services. We have set up a separate team in the company to drive this revenue stream. We really just tasted success in the advertising space last year and people have really appreciated the advertisement potential and the return they have received. So we expect an exponential growth in this growth in this area especially with the number of areas that can be used for advertising also going up with the number of channels we have of our own. The other aspect is carriage revenue, now this also has been a key focus area. You can see from our fiscal 2015 results, carriage revenue grew by more than 75% in FY15. Now, also the high growth was also because of the low base but we continue to focus on the stream of revenue. Clearly we have achieved a significant scale of our business and having a big chunk of the last -- in India, we are a platform of choice on many of the new broadcasters and new channels coming up in India. So it is we have the capability to focus on advertising, carriage revenue, add-on services to increase that realization

for customer drive ARPU growth over such a big base ARPU going up completely as to the bottom-line. Needless to say advertising and carriage revenue come straight to the bottom-line.

Fredrick Lacy: The ecommerce growth in Asia has been spectacular, is there any way with your premium content that you could participate more as that develops over the coming years?

Saurabh Dhoot: Maybe you could elaborate that question a little bit further.

Fredrick Lacy: Well as a platform, you have distribution as the number of eyeballs increases that there might be a way for you to participate more with the premium content that you just mentioned your private channels, your home shopping channels, etc.?

Saurabh Dhoot: Yes, so that is a very interesting question. In fact TV commerce has really picked up substantially and TV commerce then coupled itself with e-Commerce to make the impact even bigger and lot of the advertisers coming on our platform are from TV commerce space and that means that this platform can be a very credible platform for commerce going forward. These are plans and the think through stage right now, we are doing R&D on these plans right now.

Moderator: Thank you. Our next question is from the line of Shaleen Kumar. Please go ahead.

Shaleen Kumar: Sir, wanted to know your view on recently launched scheme on a daily recharge by one of your competitor. So what is your take on that?

Saurabh Dhoot: Right. We actually feel that this daily recharge scheme or idea is more a marketing initiative than really a matter of business strategy. We believe daily recharge, and we have seen in fact as process is very cumbersome for the customer and it seems impractical. Also the trade margins, the trade is the one which actually resells that recharge, so the trade margins are too low, they do not seem to be pushing this product on basis our ground intelligence. I do not think we need to worry on this and it may not work in our view or it may not matter in our view atleast.

Shaleen Kumar: So you believe it is not going to be feasible in the long-term?

Saurabh Dhoot: No, we do not see it like disruptive, great idea, no.

Shaleen Kumar: Okay. And can you please provide some update on the mandatory digitization in the Phase-III.

Saurabh Dhoot: Sure. So I mentioned in my remarks Pay TV in India has an extraordinary growth ahead, 90 million to 100 million homes coming up for grabs. Well, the government and the major media ecosystem are happy with what we have seen in Phase-I and Phase-II digitalization, we all have already seen and experienced the activity around digitization deadlines as well as the market expansion it enables overtime. So we already have our experience. Now with respect to Phase-III more than 7700 urban towns and around 38 million TV homes will be covered, a deadline for which is December 2015, there is a strong push from the government to implement the

same. Now they have also set up a committee comprising of DTH cable operators to monitor on ground process, they are looking at whether LCOs and content guided MSOs have done the agreements. Now clearly given the lack of adequate cable infrastructure and the technology advantage DTH as we go deeper into the country DTH is positioned to take maximum advantage of this opportunity and of course D2H, we think D2H will maintain its market leadership in those gross additions. Now in fact in the recent digitization task force meeting organized by the Ministry, it was made very clear that the dates as of now are not getting postponed. So we are all excited about this opportunity, we believe digitization as a process and of course it cannot be done overnight.

Shaleen Kumar: Right. And what is your take on the broadband infrastructure and result in OTT opportunity in India?

Saurabh Dhoot: Yes, so we strongly believe that India is a WiFi story, wireless technology whether it is DTH, telecom, 3G, 4G, those would be the key areas in which the larger part of the country will be broadband enabled. I mean today fixed line broadband is negligible, I think only 15 million subscribers when you have 900 million telecom subscribers. So with 3G coming in we are seeing traction on consumption of media online, but this is really a long-term strategy. We already have our own OTT app and we are already on that so we are ready to see this but of course more importantly we have also included OTT rights in most of our content deals which we negotiated last year. So we are well-prepared to take advantage of this when the right time comes, the right infrastructure and the right scale comes in.

Moderator: Thank you. Our next question is from the line of Mark Linch from Green L Capital. Please go ahead.

Mark Linch: Two quick ones, number one, can you give me your outlook possibly for 2016 in terms of where you think churn is going to go on a monthly basis? And secondly, can you explain whatabout Rs.2 billion increase in trade payables were on the balance sheet?

Saurabh Dhoot: In terms of churn, our churn rate for fiscal '15 was 0.8% per month, this has been largely stable for the last couple of years. Fiscal '14 was again in the range of 0.76% per month. We are guiding the churn rates to remain stable at the level of 0.8% per month for this current year.

Mark Linch: If you look kind of longer term, three to four years out, where do you think that number can go?

Saurabh Dhoot: We believe in India as the digitization process rolls out in Phase-III and Phase-IV as well, and that will create a switch over cost for customer from cable to DTH or vice versa. At this point, there is not really a cost of investment for entry into analog cable and that could be sometimes a reason for churn. Over the next couple of years we would expect the churn rate to come down to arguably in the range of 6% to 8% per annum

- Mark Linch:** Okay, great. And then just the increase in trade payable, is that a content cost or what is that?
- Management:** Can we come to that in a bit?
- Mark Linch:** Sure, no problem.
- Moderator:** Thank you. Our next question is from the line of Matt Dougherty from KD Capital. Please go ahead.
- Matt Dougherty:** My biggest question is Jeff, and it is a pretty broad one, but what do you think or what do you see as the biggest challenge facing the industry right now in India and what do you think the biggest challenge facing Videocon itself going forward? Thanks.
- Saurabh Dhoot:** Could you put your perspective, you wanted the challenges faced by the DTH sector or the country?
- Matt Dougherty:** From the DTH sector in India and then from the company' perspective as well.
- Saurabh Dhoot:** Right. I mean our challenges are actually very similar to at least some of our successful competitors' challenges, so I will speak on behalf of the industry. I think you see the top four key DTH operators continue to have fantastic organic growth, fantastic traction in the market. Digitization coming up is going to add fuel to this. We have consistently been able to upgrade customers to higher packs, launch HD packs, we have successfully dealt with relationships with content providers, and we don't have content exclusivity so we do not have that big challenge on that front like our competitors in the western world face. We have successfully driven growth, ARPUs, hikes, profitability, and scalability. One thing which is a clear challenge which we all have addressed with the government on various forums and the government is sympathetic to that and we expect that they are working something on that with is taxation. We are heavily taxed industry, maybe our cake, maybe legacy issues, but we expect reforms on the taxation front to reduce the tax burden on DTH. I think that would be the challenge based on which we are all really focused with the regulator and the ministry right now.
- Matt Dougherty:** Okay, great. And what about for Videocon itself, what do you guys see as kind of the largest challenge between where you are now and where you want to be say five years from now?
- Saurabh Dhoot:** Right. We despite the leadership in the market, despite maintaining that we by nature are a very execution driven company and close knit team. We remain paranoid every day, we are always on the lookout for trouble, and challenges on every front whether it is a new innovation require in market, new packaged launch, disruptive strategy is possibly seen or disruptive strategy by competition. So those are challenges whether it is hardware development, managing the market share, growing organically, improving our service levels even further, reducing our churn, reducing the time people take to recharge once the recharge is over. These are the things which

will ultimately drive greater value, greater ARPU and those are challenges which we head on every day, every day we think on all these challenges.

Moderator: Thank you. Our next question is from the line of Jay Li from Trafelet Brokaw. Please go ahead.

Jay Li: I would love to hear your thoughts on what you think might trigger consolidation in the industry? I know that certainly it is something that people talk about in terms of consolidating the number of players, but is there anything in particular that you think would start that trend?

Saurabh Dhoot: Well, clearly of course organic growth is very strong, the top four DTH operators are also growing strong organically. So really there is no slowdown which would be from one key area in the western world we have seen the trigger consolidation. We have been also able to increase prices, do all that, and drive profitability very successfully. So probably the other aspect could be a big operator taking a small operator and maybe that trigger consolidation where the other operators also think to scale up inorganically. But as of now, it is something which is on everybody's mind but there is no clear answer to that.

Jay Li: And then one other question, can you just clarify how net of when you pay down some more debt in the first half of the year, what do you expect your interest expense for the full year to be?

Saurabh Dhoot: We will just come back on that in a minute.

Moderator: Thank you. Our next question is from the line of Arvind Bhatia from Sterne Agee. Please go ahead.

Arvind Bhatia: I was wondering if you could talk about your subscriber growth and if there is any concentration in certain cities, I imagined a lot of the growth is coming from the big cities, the metropolitan areas. And would love to get your views on going forward how that concentration is going to look like, are you going to get more subscribers from smaller Tier-2 cities if you will and kind of how that impacts your ARPU overtime. So just looking for some color on various concentration in cities. Thanks.

Saurabh Dhoot: Well, in Phase-I and Phase-II after the digitization got over, we got a very good market share in these two cities and we almost have almost 35% to 36% market share, so there has been good growth and the customer in these towns are very high ARPU customers and there is a good growth of high definition subscribers also coming from these Phase-I and Phase-II cities which comprise of 42 cities and we are very excited about the digitization opportunity which is coming in Phase-III towns and government of India has listed out some 630 districts for Phase-III digitization which includes a total TV household of 40 million which is a huge opportunity for us and we are very excited about this opportunity for Phase-III for these 630 towns.

Management: On the earlier question of interest expected for this year, that number could be anywhere between \$40 million to \$45 million, depending upon our discussions on some of the debt restructuring.

Moderator: Thank you. Our next question is from the line of Sandeep Gupta from Ambit Capital. Please go ahead.

Sandeep Gupta: Sir, what I was trying to understand is, if I look at the Phase-I, Phase-II markets, can you split your net subscriber base phase wise, say Phase-I and Phase-II put together and probably Phase-III and Phase-IV separately. If you can just help us out with those kind of numbers?

Management: Our current subscriber base in Phase-I and II is roughly around 40% to 50% and the remaining is divided between Phase-III and Phase-IV. If you look at it, largely it is in line with the demographics of the country with a subscriber base of more than 13 million it is expected to be largely in line with that

Also just to come back, sorry, on that earlier question of the trade payables going up by Rs.2 billion, that has largely happened on account of the business size going up, the business expansion and with that some amount of working capital, but importantly there also includes the license fees payable to the government which accrues on 31st March but is payable later. So in the balance sheet that has got accounted for, so that is a large part of the reason why the payable has gone up by 2 billion.

Moderator: Thank you. We have a follow-up question from the line of Sandeep Gupta from Ambit Capital. Please go ahead.

Sandeep Gupta: Sir, if you could just also elaborate a little more on how do you think the content cost is going to pan out over next two to three years given that you have signed long-term agreements also, so from say a growth perspective on the content side of it, how do you think that it will spell out?

Saurabh Dhoot: Well, we believe that the content cost with now the fact that we have got into long-term agreements has given us tremendous amount of visibility in terms of the cost and the leverage. In this year we think the content cost should come down by 100 to 150 basis points and we think that we would continue to enjoy the operating leverage over the next couple of years. From the current levels of the content cost which is right now at about 36% on total revenue, this should potentially come down by 3% to 4% over the next three to four years.

Sandeep Gupta: Okay. And basically in terms of absolute growth, say a content cost year-on-year growth, how would you see that panning out over the next year?

Saurabh Dhoot: So that would obviously go in line with the revenue growth given our business expansion if you see fiscal '15 over '14, the revenue has grown by 32.5% in total and more than 38% in

subscription revenue. So the content cost would naturally also follow the growth in subscriber base to some extent, but as a percentage of revenue we would continue to draw the leverage.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor over to the management for closing comments. Thank you and over to you.

Saurabh Dhoot: Well, thank you so much. I would just like to summarize some of the key things that we laid out on the call. We closed the fiscal '15 at 6.09 billion EBITDA with 13.1 million gross subs and 10.2 million net subs. We are happy to announce these are figures ahead of the guidance we had provided earlier. In terms of fiscal '16, we expect the subscriber growth for H1 to be 1.3 to 1.4 million and naturally we expect H2 to be much stronger given that digitization coming in. The EBITDA growth expected for H1 is 25% to 30% year-on-year with H2 growing much faster than that projection. ARPU is expected to go to Rs.215 for this year. The content cost should come down by 100 to 150 basis points and churn should remain stable at 0.8%. A copy of this transcript will be available on our investor website in couple of days. On that note I would like to thank everybody on the call on behalf of the management and thanks for UBS for hosting the call.

Moderator: Thank you. Ladies and Gentlemen, on behalf of UBS Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.