"Videocon d2h Limited Fiscal 2017 Earnings Conference Call"

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EDITED TRANSCRIPT

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Moderator: Good day, ladies and gentlemen, and welcome to the Fiscal 2017 Earnings Conference Call of Videocon d2h Limited. As a reminder, all participant lines will be in a 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, and Investor Relations. Thank you and over to you, Ms. Agarwal.

Nupur Agarwal: Thank you. Good morning, everyone. Welcome to Videocon d2h's fiscal 2017 conference call. We have with us senior management represented by Mr. Saurabh Dhoot, the Executive Chairman; Mr. Anil Khera, the CEO; Mr. Rohit Jain, Deputy CEO; and Mr. Avanti Kanthaliya, the CFO.

I now hand over the call to Mr. Dhoot for his opening remarks.

Saurabh Dhoot: Thank you all for joining our fiscal 2017 results call. On behalf of our Board members and the management team, I welcome you all on our results call for the fiscal year 2017, the year ended March 31, 2017.

This year has been a landmark year for the company as this was the first year where we achieved net profit after tax and also free cash flow breakeven. We also announced a merger with Dish TV to create the fastest growing and the second largest pay TV company in the world.

A quick summary of our results for the year 2017: Gross subscribers increased by 2.24 million during the year. Net subscribers increased by 1.05 million during the year and totaled to 12.91 million. The speed was impacted by demonetization in the seasonally stronger second half of fiscal 2017 and this I will discuss more in detail later.

Revenue from operations came in at INR 30.72 billion. This has grown 15.5% over fiscal 2016 on a like-to-like basis, because we have to adjust for the change in accounting treatment of the entertainment tax. This was also affected by currency demonetization during the second half of the year, which is otherwise the stronger half due to the positive seasonality effect. Subscription & activation revenues came in at INR 28.08 billion. Adjusted EBITDA grew 27.1% year-on-year to INR 10.18 billion. Adjusted EBITDA margin came in at 33.1% during the year, that's up 280 basis points year-on-year. And more importantly, our EBITDA per net subscriber grew a healthy 13.0% year-on-year to Rs. 69 per month. This clearly demonstrates the strength of our business and our ability to monetize the subscribers as we move on and grow into Phase-IV and Phase-III markets. I'm also happy to share that we have achieved a PAT of INR 304 million and free cash flows of INR 1.17 billion. This is in line with the guidance we had shared at the beginning of the year.

Talking about demonetization, the adverse impact of demonetization continued in the fourth quarter as well. We saw a much significant impact in Q4 as compared to the previous quarter. We saw the impact for the entire 3 months as compared to only 1.5 months in the previous quarter. Also the first half of Q3, which was prior to demonetization, was also strong due to a good festive demand at that point. Having said that, the government lifted all cash withdrawal constraints during mid-March 2017. Business is coming back to normalcy and money circulation in the economy is improving especially in the rural markets. We believe revenue performance of Q4 is therefore one-off in nature and the business fundamentals are running strong again. Although growth all across the India did show temporarily at the end of our FY17, the impact of demonetization is behind us and FY18, we are already returning to a strong rate of growth in subscribers, revenue, EBITDA and free cash flow.

A quick update on the merger with Dish TV: I'm happy to share that we have received the approval from the Competition Commission of India for the proposed merger. This was, in our view, the most critical approval. Both Dish TV and Videocon d2h have received approval from the respective shareholders earlier this month as well. We are now looking forward to receive the approval from the National Company Law Tribunal and the Ministry of Information and Broadcasting in the coming months. We maintain that the merger process would conclude by October 2017. We have also recently signed an amendment to the previous scheme of our amalgamation to change the GDR listing from Luxembourg to the London Stock Exchange. We have also started working on an integration plan, post receiving the Competition Commission of India approval. To ensure a smooth integration, the companies have appointed PWC, Deloitte and Aon Hewitt to work on the post-merger integration along with the two managements for the next 12 weeks. While Deloitte will look into overall project management, PWC will advise an integration of the IT systems and Aon Hewitt will develop an action plan for creating an efficient organization structure and align policies and processes. We received the CCI approval early May. Post the approval the various departments of the two companies have started the integration planning in full force. We are in the process of identifying and quantifying the synergy estimates and would update the investor community on the same in due course. We believe the key areas of synergy would be on around content costs, fixed costs, interest costs, Set Top Box sourcing, revenue synergies, new technology, OTT investments and growth models around that, and revenue synergies through value-added services, advertising and carriage.

Overall, given the large scale of the merged entity at more than 28 million plus subscriber base, the platform will be a whole new canvas to play with in terms of technology offerings, OTT and new business initiatives around what we do. If I can take the liberty to say behalf of the Dish and the whole Videocon family, there may not be any better media investment opportunity in the world for long-term investors. The merged entity will be the fastest growing and the second largest pay TV Company in the world. I'm confident this will create significant value going forward for long-term media investors.

During the quarter, the upper house of the Parliament cleared the necessary GST bills. This is expected to come into effect from July 2017 as per media reports. Recently, the applicable GST rates were shared and the DTH sector will attract in 18% GST and this will subsume entertainment tax. This means that the total tax outgo for the DTH operators would decline from current 21-22% levels, to 18%. We welcome this move by the government as it will simplify the taxation regime and improve the ease of doing business in India. Moreover, GST will drive the unorganized segment towards taxation. It would also bring the cable business, especially the local cable operators under its umbrella. It would clearly create further room for ARPU growth for the pay TV sector in India for precisely these reasons. We think this is a landmark transformative reform.

Regarding forward guidance, we are pleased with the trends we are now beginning to experience again in the market. The fourth quarter of last year was affected dramatically and negatively by demonetization. Also, Ramadan falls early this year. The entire Ramadan period falls in Q1 this year as compared to last year where Ramadan period extended up to July as well. This also is an important portion of a seasonally weak time of the entire fiscal as we've experienced in the past. However, with demonetization being behind us, we expect our EBITDA for the Q1 FY18 to go beyond the Q4 levels of last quarter and catch up to previous year's Q1 level going forward. We also expect net subscriber additions to grow more than the Q4FY17 levels as the business and market momentum begin to clearly come back in favor.

Before I hand over the call to Mr. Khera for a business update, I would like to say that we are extremely excited about the opportunity ahead of us, given several tailwinds that will support growth in the near term, with the GST coming in, with the tariff order coming through, with the merger integration and the synergies, as well as on the backdrop of Phase-IV digitization opportunities, which are clearly in many areas coming back on stream, we are really looking at strong EBITDA growth, strong business growth, strong margin expansion in fiscal 2018 and beyond with all these activities in mind.

Anil Khera: Thank you, Mr. Saurabh. I am pleased to share that we have increased prices of our monthly subscription packages by 3% to 4% on an average during April 2017. We expect the benefit from this price increase to reflect in higher revenue realization, starting Q2 FY18, given the prepaid nature of our industry and the price protection clause for existing subscribers. The combination of price increase and expected fewer suspensions with relaxation of demonetization should help stabilize ARPU from this point. During the quarter, regulator issued revised and final tariff order, which covers content pricing, guidelines from distribution of content from broadcaster to distribution platform like DTH and cable, and from distribution platform to the end consumers. During the past few weeks, most top broadcasters published their new channel rates. We believe that the tariff published by broadcasters are temporary in nature and they are likely to revise their rates downward, post the court judgment and closer to the actual implementation of the new tariff order. As of now, Supreme Court has extended the stay on tariff order until September 2017. The next hearing, regarding tariff order, is scheduled for June 12th and we await further clarity in the matter. We continue to maintain that tariff order is a game changer, given its aim to bring transparency and commercial parity in content deals across distribution platforms. This is a positive for DTH operators as currently DTH operators have been paying a lot more for the same content as compared to the cable operator. We believe the pricing for distribution platform, the basic pack at INR 130 plus tax for free-to-air channels will ensure that our gross profit per subscriber is protected. We believe the tariff order is positive for distribution platform as it addresses some of the concerns for distribution platforms faced today thereby enhancing the ease of doing business with broadcasters.

Talking about GST, on ground implementation of GST, our team has been educating the dealers and distributors on GST roll out. We are pleased to share that majority of our distribution network has registered for GST and they are GST ready.

During the year, we further strengthened our regional and high definition content offering for our customers. We have added more than 90 standard-definition channels and 20 high-definition channels in fiscal 2017. We now offer more than 650 channels and services, including 62 high-definition channel and services. In February, we launched sachet pack for high definition, which is beginning to receive good traction. We have continued to install high definition set top boxes in 100% of our new subscriber acquisition. These help us push our high definition packages to consumer and enable us to upgrade standard definition subscriber to high definition. We now have over 14% of our subscriber base on high definition pack despite the impact of demonetization. We also launched our new services this fiscal. This includes the recently launched services called d2h Nachle, where the viewers can learn various dance forms with a popular Bollywood celebrity and actress Madhuri Dixit and several well-known choreographers.

Quick update on digitization Phase-IV: In the coming few years, we expect strong subscriber growth to continue led by implementation of Phase-IV digitization opportunity. Given the large size of analog cable subscriber base in Phase-IV market, the regulatory pushed towards digitization in state of Tamil Nadu could further contribute to subscriber growth in coming years. However, it is worth noting that DTH industry continues to grow its subscriber base regardless of digitization implementation. The DTH industry gets around 70% of its new acquisition from Phase-III and Phase-IV markets, given Phase-I and Phase-II are nearly fully digitized largely, except state of Tamil Nadu. In the absence of digitization, we would continue to grow our subscriber base in-line with our current trends.

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

Rohit Jain: Thank you, Mr. Khera. Good morning, everyone. Let me share the results of the Q4 in slightly more detail. As you are aware, the quarter was impacted by demonetization as we saw with most of the industries. This also impacted the new subscriber acquisition and recharges for us. In fact that, we understand this was an aberration and demonetization is behind us now. Nevertheless, the total revenue for the quarter came in at INR 7.55 billion. The breakdown being subscription and activation at INR 6.89 billion, carriage revenue at INR 288 million and

Ad revenue came in at INR 55 million. Adjusted EBITDA grew 7.9% year-on-year to INR 2.36 billion for the quarter. Margin came in at 31.3% for the quarter. On a like-to-like basis, adjusting for change in accounting treatment carried out this fiscal, it would have been up 70 basis points year-on-year. Content cost came in at 42.5% and fixed cost came in at 16.6% of revenue. We reported net loss of INR 87 million for the quarter as compared to INR 212 million for the same quarter last year. ARPU came in at INR 196, largely on account of higher suspensions, as a result of shortage of currency and demonetization impact. We added 470k gross subscribers and 140k net subscribers during the quarter. The monthly churn for the year came in at 0.80% per month as against 0.73% for the fiscal 2016. Hardware subsidy came in at INR 1,923 per subscriber. The CAPEX during the quarter was INR 1.38 billion. Adjusted EBITDA less CAPEX came in at INR 981 million for the quarter. As of March 31st, we had term-loan of INR 19.95 billion and total cash and short-term investments of INR 4.61 billion.

With this we reiterate that fourth quarter was indeed weak due to external factors. Trend wise, we are happy that from a quarter that was down, we are coming back to flattish and the trend is starting to look upwards. And with this, we conclude our opening remarks and would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Siddharth Bera from Nomura. Please go ahead.

Siddharth Bera: Sir, first on the ARPU side. This quarter we definitely have seen some slowdown on account of demonetization. But sir, can you please highlight what has been the trend for the first 2 months of this quarter, how have been the levels? Are they already are close to Q3 levels, excluding the price hike which we have taken from April?

Rohit Jain: Yes, ARPU certainly was impacted during the quarter and we are seeing some recovery in the ARPU. I think over the next quarters, we will see that coming back to normalcy. But having said that, one of the things that we have said repeatedly in the last couple of quarters is that we as a company are not looking at ARPU in isolation as a strategy. As we're going deeper into Phase-IV and more and more sort of rural areas, we don't want to leave the growth on the table, and that reflects in the fact that we've been experimenting with different packages. Now, some of them optically might be lower in ARPU, but they do not compromise on margin. If you see during the year, our EBITDA per sub has grown by a healthy 13%. So while we do expect ARPU to come back to normalcy, but we encourage people to look at ARPU and EBITDA per sub together and not in isolation.

Siddhartha Bera: Understood, sir. But basically what we have been also listening is that in the Phase-IV areas, there has been a lot of competition from the Free Dish platform because of which ARPU growth has remained on the weaker side. So, just wanted to understand, can we expect on a blended basis closer to 205 levels of ARPUs which we had seen earlier or this new ARPUs from the rural areas can continue to pull down our overall ARPUs?

Anil Khera: On the Free Dish, we would like to say that the Free Dish is a stepping stone to Pay Dish as this is first time the viewer experiences digital quality content. He then later upgrades himself to the pay platform because later he realizes that the content which he's watching is not fresh and those are stale contents. And once he has experienced the digital platform of DTH through Free Dish, it is our target to make him pay in the near future. With this new tariff order which protects our margin, we as a merged entity can come up with interesting skinny packs for this target segment. And we are also talking to broadcasters that there is a need to have a windowing for the content, which is being relayed on the Free Dish and the pay platform.

Siddhartha Bera: Okay, sir. Sir, my second question is on the GST part. So, what can we expect with the GST rates at 18%, the incremental benefit, will that be passed on to the consumers or we can retain certain part of the benefit? How to look at it?

Saurabh Dhoot: So, naturally like we have already mentioned that the GST rate is a welcome move by the government. This clearly has a lot of benefits overall in the way the business has run, managed, the indirect taxation incidents are much simpler. There are many other cost benefits than just overall service benefits. And hence this ease of doing business would obviously impact and have benefits to profitability.

Siddhartha Bera: So basically, sir, at least like 100 bps, 200 bps we can retain the benefit, maybe in the GST?

Saurabh Dhoot: We are not giving guidance as to what basis points this leads down to. If you can understand from what I've just said, but yes, it is beneficial and it is very important reform that will benefit our entire industry and the company.

Moderator: Thank you. The next question is from the line of Vikash Mantri from ICICI Securities. Please go ahead.

Vikash Mantri: I have two questions, trying to understand the nature of business. Now in this quarter, we have had two results, which have been reported earlier of your peer set and we see varying trends where one company had just a very marginal dip in ARPUs, the other company had a significantly higher decline in ARPUs, and whereas you are somewhere in the mid or actually on the better side of things.

Now my understanding was, this is a very utility like nature of service where people cannot live without TV and suddenly we see in a quarter such huge variances in performance of companies. So, just want to understand a) what do you read about the industry; what led to this development; b) from understanding your own company, what are the events which has led to a decline in ARPU from a consumer behavior, whether they have stopped taking it for a few days or there were downgrades to lower packages or actually penetration became lower. Just want to understand that nature. Then I'll come with the second question.

Rohit Jain: I think it's tough for us to compare within the industry with companies. You are aware, some are partial results, and some are full results. I think the reality is, across industries everybody was hit by demonetization. I do partially agree with you, this is a slightly more utility company and hence the impact on our industry has probably been less harsh compared to some of the other industries that we've seen.

Having said that, demonetization in itself was a very huge event. There was certainly a cash crunch. Largely what that has resulted in what we saw was not so much of downgrading but really higher days of suspension. I think it was more of a budgeting issue for people with limited amount of cash and in terms of that budgeting, how much were they able to allocate to various services. So, we've seen certain amount of higher suspension. I don't think any industry was completely isolated. We have obviously done our best to minimize the impact. We have been in the range of about 10% plus/minus, but tough for us to give a commentary across the companies.

Vikash Mantri: Okay, thanks for this. My second question was that when we started earlier this year, the narrative was that this is a year of Phase-III, Phase-IV digitization and that phase largely belongs to the DTH industry. And now that we have seen this period of Phase-III, Phase-IV, and if I look at the numbers of DTH and the top 3 players, it's less than 3.5 - 4 million subscriber adds which is very much in line with what you have done earlier, in fact lower. Whereas if you see at the same time as per the KPMG, maybe Free Dish has added close to 10 million odd subscribers. So while that Phase-III, Phase-IV looked at an opportunity, now with hindsight I would say that maybe it's purely gone away to the Free Dish market and that never was actually a pay market, it was more likely a FTA market. And the thesis of these being stepping stones doesn't seem to be true because we have only seen more content being provided to them by broadcasters and in the recent auctions we saw more movie channels, entertainment channels and even kids channels being talked about being available on the FTA platform. So, there is very marginal reason. So, should we write-off that opportunity of Phase-III, Phase-IV?

Anil Khera: Well, once again talking about opportunity on Phase-III and Phase-IV, as you know, this is the rest of India, the Phase-IV, which is a very, very large size of household which are yet to be digitized. As regards Free Dish is concerned, it's not today’s introduction in the market, Free Dish has been there in Phase-IV and Phase-III from past many years. But yes, what you're saying is that in the recent few months, the content offering on Phase-IV has some improvements looking at introduction of GEC and movie channels by all the leading four broadcasters. We are in discussion with all the broadcasters to keep a minimum windowing, for the pay content and free content, for one year and more. Also for the movie channels, what you mentioned is very important. You rightly pointed out that India is driven by cricket and movies. And in movie channels, all the pay platforms are of the opinion that there has to be a different movie library for free platform and a different movie library for pay platform. And then, there will be significant difference of the content offering. After one year if the content coming on the Free Dish that may not become as attractive as it's today where the windowing is 3 months and 4 months. So, as because Phase-IV digitization of the competition between Free Dish and pay platform is concerned, wherever the cable is there in Phase-IV market, where the customer is used to watching the pay content through cable, we definitely have good opportunity there to convert them into DTH customer. And over a period of time, all the Free Dish customers are likely to be targeted by the DTH operator through skinny pack, through pay contents. Thank you.

Moderator: Thank you. The next question is from the line of Shilpa Patnaik from JM Financial. Please go ahead.

Shilpa Patnaik: Can you please provide the breakup of subscription revenue and activation revenue?

Rohit Jain: Well, I provided that in the beginning. Out of the total revenue of 7.55 billion, subscription and activation was 6.89 billion, carriage revenue was 288 million and ad revenue was 55 million.

Shilpa Patnaik: What was the pure subscription revenue, excluding the activation revenue?

Rohit Jain: Well, we've always reported subscription and activation together. We don't have a breakdown available. But the activation revenue component in this is very miniscule, but we have never broken down that number.

Shilpa Patnaik: I have one more question. On what revenue basis is the license fee calculated and when is it paid out?

Rohit Jain: Well, the license fee is calculated as per the court order of AGR and it's paid out as per the norms of the government, which is on a yearly basis.

Moderator: Thank you. The next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: My first question is, the subsidy number that you report, is this just a pure hardware cost and installation cost, the subscriber acquisition cost that you report. And what is the net subsidy that is there on a per gross customer basis? And the second question is, can you provide more granularity about the synergy benefits post merger in terms of the optimum level of content cost to subscription revenue and transponder cost and other operating costs?

Avanti Kanthaliya: Yes, that hardware subsidiary is purely calculated based on that hardware cost less net realization amount from subscriber.

Sanjay Chawla: Does it include the installation cost also?

Avanti Kanthaliya: No, installation cost is not included. Basically, installation cost is paid by the subscriber separately.

Sanjay Chawla: So, installation cost is fully recovered?

Avanti Kanthaliya: Yes, fully recovered.

Sanjay Chawla: Okay. Can you share your thoughts about potential synergy benefits post merger in terms of more granularities, if possible?

Saurabh Dhoot: So, we received the CCI approval in early May and post the approval, various departments of the two companies, have started the integration planning. And we are in the process of identifying and quantifying the estimates and would, as I mentioned earlier, update the investor community on the same in due course. That said, we believe the key areas of synergy would be around content costs, fixed costs, interest costs, set top box sourcing, new set top box technologies. Revenue synergy is primarily around value-added services, advertising, carriage, amongst other aspects. I think I would speak again for the entire management over here. We are so excited about the opportunity this huge big canvas presents for us to look at cost and revenue areas to change the game in the DTH sector, change the game in the pay TV sector in India. And I think the roadmap with regards this merger, the integration of synergies, the GST regime coming in place, as well as organic growth which continues to have in India with digitization, I think we are looking at quarters and quarters of strong EBITDA and business growth ahead of us as all of these opportunities keep progressing with us for quite some time right now.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Just a couple of points at my end. One is, looking at the content cost as a percentage of revenue; it has bumped up again slightly. Compared to peers, it continues to remain at a fairly high level and now it's not really a difference in terms of scale. Videocon is very much there in line with some of the other peers that report in revenue terms. So, just trying to understand, one, what is sort of driving such a high content cost to revenue ratio in general, but specifically what has been the reason for a Q-o-Q and a Y-o-Y way jump in that ratio essentially.

Rohit Jain: Largely content cost has gone up because most of our contracts were locked in much before demonetization. I don't think any of us really saw this coming. Unfortunately, it's the case where while the cost got fixed up, the revenues took a hit on account of demonetization. We do see that there is certain amount of difference between the content cost between us and the peers. Having said that, I mean among all the sell side reports that we've seen this is clearly one of the synergy items that easily comes to the mind. So in that sense, we are certainly looking forward to maximizing the benefit potential in this. So, we should see some of that impact as a result of the consolidation.

Amit Kumar: Just sort of a quick follow-up on this, so you are essentially saying that some of the content contracts are essentially fixed in nature as well?

Rohit Jain: That's right. Some of the contracts were really fixed in nature. They were all set in before demonetization.

Amit Kumar: Alright, understood. Quickly on GST, so when I look at your business, there are essentially two bits. One is the subscription revenue that you generate, which is really in the nature of service, but there is also this element of gross additions and essentially sale of set top boxes on which activation revenue sort of gets derived. So my understanding is that subscription revenue, demonetization aside and we have this little bit of a structural change in GST also coming in July. So any sort of near-term or medium-term impact on either of these two revenue lines that you would want to call out?

Avanti Kanthaliya: Yes, there will be some accounting impact on that subscription revenue and the set top box revenue.

Amit Kumar: Sir, on the subscription revenue, I have sort of not understood why it should be the case because to the best of my understanding, majority of the recharges today happen electronically. Even when dealers or retailers are doing it, they do it on their mobile phones. So, that piece I have not understood. And on the set top box side, do you see some sort of destocking at your distributor or at your dealer end essentially, is that could drive potentially a little bit of hit in 1Q?

Avanti Kanthaliya: I don't think that set top box level, there will be any destocking at dealer level.

Amit Kumar: Why do you believe, I mean, if you believe that GST will have a little bit of impact on set top box sale or gross additions numbers also, why do you believe consumer off-take of set top boxes will be impacted because of GST?

Avanti Kanthaliya: I'm saying on set top box that impact will be on accounting revenue.

Moderator: Thank you. The next question is from the line of Siddharth Bera from Nomura. Please go ahead.

Siddharth Bera: Just a quick follow-up, you mentioned that you had most of the fixed contracts for the content cost. So, just wanted to understand that in the DTH segment we understand that there is a clear visibility for subscribers. So, why do we still have fixed contracts when it's largely a mix of per subscriber contract for other players?

Rohit Jain: Well, you're right, we do have a good visibility of subscribers. Unfortunately, none of us had visibility to demonetization. If we had the hindsight on knowing something like that was coming up, naturally we would have constructed the contracts differently. I'm not sure if there's any industry, which knew this was coming in.

Siddharth Bera: Okay. But what will be the duration for this contract? These are for yearly or semi-yearly, how does it work?

Rohit Jain: Well, they vary for different periods of time. But naturally with the consolidation, with tariff order and several other initiatives, I think we will have ample opportunity to do course correction in times to come.

Siddharth Bera: Okay. So, if suppose, assuming that the new tariff order progresses well and is applicable from maybe Q4, then we should have most of the contracts renewed again by during that period or it will be some time before we can start seeing benefits?

Rohit Jain: Difficult to give any exact guidance in terms of timelines, but I think starting fiscal '18 you should start seeing some course correction in terms of trend.

Moderator: Thank you. We will take the next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Yes, so I was wondering, obviously, we will have two brands, which as you had pointed out earlier would sort of get merged over a period of time. But initially to start with, I was just wondering from a transponder cost perspective, is it sort of possible to transmit two signals, let's say one of Videocon d2h and the other of Dish TV from the same transponders at obviously the same angle so that just on the ground, the angle of, let's say, either of Dish boxes or Videocon boxes would be changed and both the networks could work parallel through the same set of transponder, is it technically feasible or not?

Saurabh Dhoot: Well, to answer a basic question whether technically different beams can be made on the same transponder using different software systems and security systems, yes, of course, it's possible and people do it. So that is addressing a technical aspect. I think from a larger perspective with regards transponder synergies etc. and if you're talking about the merger, I think it is best to understand all the synergies when the management gives a proper update altogether. I think beyond transponder synergies, I think the other synergies outlined with regards revenue potential, with regards cost and with regards how we can use new technologies and new investments on this much larger canvas, which we have going forward, I think those are really the ones which will drive tremendous value going forward beyond even small numbers like transponder costs, I think. That's the kind of potential I am talking about.

Rohit Dokania: Absolutely, sir. So, I think the entire industry is in sync with that. But we were just wondering whether this could be the icing on the cake or not. So, that's why I was just asking about that.

But, yes, we look forward to your comments on the synergy benefits which you will make in due course. Thank you so much for this call.

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

Rajiv Sharma: I understand that the new tariff order is under stay, but it's well understood that, that could be the new norm. So just trying to understand that how will content synergies be leveraged because so far it is Dish TV's legacy advantage that they've been lower on the content cost and as I'm sure that post merger, the merged entity will benefit from that? But it's a pass through. Will it be just about the higher slab of commission or am I missing something there?

Anil Khera: You see, it's very difficult to point out right now about the new tariff order that how it is going to shape up the industry because the matter is still under court order stay. But as we understand from the tariff order that the minimum margin per subscriber is Rs. 130. That's the base bouquet for the FTA free-to-air channels for first 100 channels. And then there are blocks of 25 channels each. For each block, the platform gets Rs. 20. And one high definition channel is considered as two standard-definition channels. And the distribution margin for the platform is Rs. 20 and additional margin of 15%. The total distribution margin goes up to 35%. And I need not say that is very clear in the tariff order, which you also must have gone through. We have to offer bouquet of the broadcaster as it is, but we can make our own bouquet based on what broadcasters is announcing as a la carte pricing. We can make our own bouquet of GEC channels, own bouquet of movie channels and sports channels and so on. But till the court order comes in and there is a clarity on the tariff order, it's is very difficult to say that how industry is going to shape up in terms of the content cost. But definitely once the new tariff comes in, all the existing contracts will be no more valid and everybody has to reenter contract with the broadcasters based on the guidelines of the TRAI.

Rohit Jain: Also just to add, I think on business as it is basis, in absence of not knowing when and how tariff order will come in, I think the synergy between us and Dish TV in terms of consolidation is fairly clear. So, at this point of time, it's easier for us to look at business as it is basis.

Rajiv Sharma: One just a small follow-up is that Rs. 130 as you rightly pointed out from your margins, but there are plans already to counter Free Dish, which has gone below 130 and they have gone to 90 levels. So, do you think that industry will stay around 130 after consolidation or with these recent tariff prices which have come in, they are anyways available and could be available after the new regime. So, is 130 really the benchmark or actually it could be below?

Rohit Jain: I think it'll be speculating way ahead of us at this point.

Rajiv Sharma: Yes, but the plans are already there in the market, isn't it, at 90, 99 bucks?

Rohit Jain: Yes, they are there, but there is a lot of water still to pass through the bridge. Let it come in. Let the industry digest it. It's a whole new way of working business. I think we'll be thinking too much ahead of ourselves in terms of business.

Rajiv Sharma: Now we probably will have packs which are below 130 today?

Saurabh Dhoot: Yes, for example, if our average overall EBITDA per sub earned itself is below 130, I think it gives you a flavor of the room which we have in front of us in future.

Anil Khera: One more thing I would like to add here that, what you're saying, currently the pack is 99 plus tax. But the pay TV bouquet add on, the required bouquet which customer wants, minimum bouquet, he ends up paying anywhere around Rs. 180 - Rs. 190.With Rs. 130 as the minimum starting pack, a customer can pick and choose his own broadcasters bouquet as per his choice. He might end up paying lower than what he is paying. But our margin, whether it's 99 or 130, our margin remains intact. We are not impacted.

Rajiv Sharma: Okay. And the fact that you go for every subscriber with a HD box, so is it something which you are doing in Phase-III and Phase-IV markets or you are restricting this to only replacement demand which comes in Phase-I, Phase-II and the newer acquisitions which you make in Phase-I, Phase-II?

Saurabh Dhoot: Seeding in HD boxes has become an important part of our strategy since quite some time and it's across all markets, not just Phase-I, Phase-II.

Moderator: Thank you. Ladies and gentlemen, that was the last question. On behalf of Videocon d2h Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.