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Conference Call Transcript

DEN Networks

Q4FY14 Results

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Corporate Participants

Mr. M G Azhar
COO

Mr. Rajesh Kaushall
CFO

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the Den Networks Q4 and FY14 Earnings Conference Call hosted by Edelweiss Securities. As a reminder for the duration of this conference 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 Mr. Alankar Garude of Edelweiss Securities. Thank you and over to you sir.

Alankar Garude: Good day and a warm welcome to all participants. We at Edelweiss Securities are very pleased to host Den Networks Q4FY14 earnings conference call. From the management we have with us Mr. M. G. Azhar – COO and Mr. Rajesh Kaushall – CFO. Thanks to the management for this opportunity. Now I would like to hand over the call to the management for the opening remarks post which we will have the question and answer session. Thank you and over to you Sir.

M. G. Azhar: Thanks Alankar and the Edelweiss team for organizing this and welcome everybody. Thanks for joining in.

This has been the quarter of consolidation in which we have seen lot of continued stability on the ground and the competitive intensity, really sort of subsiding and the traction on collection and billing has pretty much moved on the track albeit because of the 20 years of doing the business in a particular way there are some challenge along the way but having said that positive traction continues. And we at Den have been working on a couple of initiatives, one obviously was the entire preparedness towards the launch of the broadband. And we are doing it very-very professionally on the DOCSIS 3.0 platform which eventually means that we do a ground staff survey of the ground, get a map, get a network design done and evolve an ecosystem around third party vendors who actually go and do the network rollout for us. So this actually took us a little while because there was not too many vendors who were doing this kind of stuff. But having said that we have already soft-launched in some parts of South Delhi in Delhi, very-very small numbers to talk about as yet. But as we go forward I think by the end of the year we are targeting something like close to half a million home passed and looking at all the preparedness that we have and the vendors that we have sort of developed we think that that is pretty much a doable target. And on the Phase-III, Phase-IV – that expansion of market deep within the areas of dominance already continues so there are a lot of cities that we have brought onto the digital platform on fiber connectivity and we have started seeding boxes in those markets and we have seen continued traction in boxed deployment.

We have added close to about 450K boxes in this quarter and parallel we have now signed up a deal with Wipro in the light of changing B2C environment. This Wipro deal is essentially a cloud-based fully managed services 10-year deal, end-to-end, which takes care of our SMS, billing, customer relationship management, web interface, payment gateway inventory and this is more OPEX kind of deal where we just pay them per subscriber per month and this we think is a scalable model and this is something on the lines of what IBM deal was with Bharti and we think that this will probably pave way for such more deals to come into the marketplace and hopefully bring in a lot of maturity to the entire industry. And parallel we have been working on basically transforming the organization model to gear more towards the changing B2C environment. So there have been a couple of measures that we have been taking on the organization level be it the system, be it the processes, having a relook at the existing processes and making changes wherever required.

So with that brief outlook I would like to hand this over to Rajesh who will take you through the numbers and then we will be happy to take questions.

Rajesh Kaushall: Thanks Azhar. Hi everyone. Just to give you a brief overview of the financials.

On a consolidated basis, the full year revenues have gone up 26% YoY. So revenue is INR11749.2mn, vis-à-vis INR9346.4mn in the last year. The distribution business revenue is INR595.3mn out of this and the cable business revenues are INR11153.9mn vis-à-vis previous year wherein the distribution business revenue was INR497.8mn and the cable business revenue was INR8848.6mn. The full year EBITDA, on a consolidated basis has been INR3677.1mn this year. So there has been a huge jump in this from INR2427mn to 52% year on year and the EBITDA from distribution business has been more or less flat. So it was INR110mn in the last year, it is now INR102mn. On the PBT, the growth has been 18% YoY. So the PBT has grown to INR1354mn from INR1145mn and this is despite higher depreciation and interest cost in the cable business.

On the consolidated quarter on quarter, the consolidated revenues are at INR3256.7mn up 10% QoQ, vis-à-vis INR2970mn in the previous quarter. The distribution business revenue in this quarter is INR174.4mn and the cable business revenue is INR3082.3mn and the distribution business revenue from the previous quarter was INR162.4mn and the cable business was INR2810mn. The consolidated EBITDA remains stable despite higher cost on account of broadband and DAS Phase-III and Phase-IV cities' cost. It is at INR923.8mn. The consolidated PAT has risen by 43% QoQ, so from INR70mn it has gone up to INR100mn.

If we look at the cable business numbers, the full year numbers have grown by 26% YoY. The revenue has grown from INR8848.6mn to INR11153.9mn. The EBITDA has grown from INR2310mn to INR3570mn. The EBITDA margins stand at about 32%. The full year PBT has risen by 21% on year on year basis. So from INR1040.1mn it has gone up to INR1256.4mn despite the depreciation increase and the interest cost of about INR660mn and INR380mn respectively.

Cable quarter on quarter numbers have gone up 10% from INR2810mn to INR3080mn. This is the revenue number. The EBITDA remains stable despite the higher costs on broadband and DAS Phase-III and Phase-IV cities digitization. It is at INR902.9mn. The cable PAT has jumped 148% and is INR146mn vis-à-vis INR60mn in comparative quarter.

If we look at the revenue composition on an annual basis so the placement revenue is INR4650mn vis-à-vis INR4950mn on a full year basis. The digital activation is INR1540mn vis-à-vis INR1450mn. Subscription income has gone up to 2.3x. It has in fact grown by 130% from the previous year number, so INR1760mn has gone up to INR4070mn and on the other operative income there is a marginal decrease from INR510mn to INR320mn but on the overall number the growth has been in the operating revenue if you look at excluding the treasury income then the INR8670mn number for financial year 2012-13 has gone up to INR10590mn, so it has gone up by INR1910mn, so a 22% increase. And the subscription revenue increase has primarily been on account of the digitization benefits which have come in because of Phase I and Phase-II towns and we have already done gross billing in Delhi and Kolkata in the quarter ended 31st of March. Essentially Kolkata has been for the last quarter and Delhi started off from December and Mumbai is still on a net basis and it is at about INR85 including taxes and the Phase-II towns right now are at net basis at about INR50-55 including taxes. If we look at the content cost increases, we have had a 25% content cost increase which has been expected on an annual basis -increase from INR2980mn to INR3710mn. The other operational cost is in fact lower if you were to exclude the LCO revenue share and the broadband and the DAS Phase-III, Phase-IV cost of about INR150mn which has been incurred during this year.

On a Quarter comparison, if you look at the previous quarter the placement revenue was INR1178mn. This quarter it has been INR1190mn which is almost similar. Digital activation is slightly better than the previous quarter which was INR290mn. This quarter it has been INR337mn. The subscription income is up from INR1050mn to INR1260mn and essentially on the digital activation Azhar already mentioned that we had 450k boxes which were activated. So the content cost on this quarter has been at a little higher, 5.7% higher than the last quarter which has been expected. So INR950mn has gone up to INR1bn and other operation cost as I said earlier has been in fact lower if we were to exclude the impact of the LCO share on account of the gross billing in Delhi and Kolkata and the broadband business and DAS Phase-III, Phase-IV cost.

On the balance sheet we have a cash balance in the cable business of about INR11.86bn as on 31st March, vis-à-vis INR4.2bn in the last year. The gross debt is INR10.02bn vis-à-vis INR7.26bn in the previous fiscal. The net debt is actually we are debt free as of now if you were to eliminate the cash versus gross debt. And net worth is INR18.19bn with a debt equity ratio of 0.55. So I think we can now move onto any questions.

Moderator : Thank you very much sir. Participants, we will now begin with the question and answer session. We have the first question from the line of Akshay

Saxena from Credit Suisse. Please go ahead.

Akshay Saxena: I wanted to know on this quarter, this was your full quarter for gross billing in Delhi so how much did the collection per subscriber improve? And secondly, I am looking at your cable business EBITDA, so in 3Q you made a cable business EBITDA of INR919.5mn. So on a sequential basis that has in fact declined from INR919.5mn to INR902.9mn. So with the gross billing I would have expected that there should have been some pick up in EBITDA. So why has that happened?

M. G. Azhar: Yes, so in Delhi like you correctly mentioned, we did gross billing and there was an improvement from the last quarter. So there was almost about I think INR 15 per box per month improvement on an average from a quarter to quarter basis. Obviously that added to some other revenue but like I made statement in the opening remark we are getting a lot of Phase-III, Phase-IV towns also on the digital platform so we are incurring cost on fiber connectivity and like Rajesh mentioned we have been in the investment phase on the broadband side, so we have pretty 50+ employees on the broadband side. We have a separate office. The entire infrastructure cost is already captured in this quarter so to the extent INR60-70mn is the total cost of the quarter on the broadband. So if you had to remove this actually you would have seen a sequential growth and we would have practically seen the impact of all enhances subscription revenues.

M. G. Azhar : Okay, so if this is removed EBITDA would have been higher by INR60-70mn for this quarter and sequential EBITDA would have grown by around INR30-40mn.

Moderator: We have the next question from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani: Activation revenue was INR405mn versus INR286mn, so what does this consist of? This is activation because subscriber addition was the same. So why is there a difference?

M. G. Azhar: Today we are operating in an environment where all of us in fact have increased the price till today. So this is all more from a demand pull perspective has been pushed, probably this is not something that boxes are getting deployed in anticipation of an impeding red line. In fact these are all real demand that is coming from the ground. So we have managed to activate those boxes and average it because they are INR150-200 higher I guess from the last time.

Mayur Gathani: Okay, so what is the average price that we are selling the boxes now and what we were doing in the last quarter?

M. G. Azhar: Obviously we have different schemes for different markets and it goes up anywhere between INR700 to INR1200 but I think average will be around INR800.

Mayur Gathani: And any content cost guidance that you could give us because year on year it was up 25%, correct sir?

M. G. Azhar: I think obviously some of the deals are under negotiation, some of the deals have already been negotiated. So considering all of that, the visibility that we have we would anticipate a growth of – I will probably give a wider range between 15% and 25%. But I think somewhere in the region of 20% should be a number to be looked at.

Mayur Gathani: And what is the net collection from Delhi?

M. G. Azhar: In Delhi we are on an average doing INR100 plus.

Mayur Gathani: So this was around INR80-85 in quarter 3 and we moved INR15 up, is that understanding correct?

M. G. Azhar: Yes.

Mayur Gathani: And other cities would be around INR50 to INR60?

M. G. Azhar: No, so those are like Phase-II towns which are like INR50-55 but I think Kolkata is around INR70, and Mumbai is around INR85.

Mayur Gathani: NAV on the billing in Mumbai?

M. G. Azhar: Mumbai as we have been mentioning, bigger players have to actually take a lead and there was some confusion around the whole entertainment tax as to who's liability its but now that ordinance will be passed. The process has been initiated but I would assume that it will take one or two months for it to stabilize.

Mayur Gathani: And sir there was a placement revenue which was 1% up sequentially, so what is the guidance? I mean we did INR4652mn for this year, what was in FY15 sir?

M. G. Azhar: FY15 we probably would lake at a similar number, give or take 5-10%.

Mayur Gathani: FY15 you are saying 5-10% up or down. In FY13 what was the number sir?

M. G. Azhar: INR4950mn.

Mayur Gathani: So we are seeing a drop over here, right?

M. G. Azhar: Yes, that is why I said, I mean we have seen some increases also in some markets because there are a lot of channel launches that we are seeing. That is why looking at the scenario we are not putting up a hard quoted number but I think this should be a number closer to what we have this year give or take 5-10%.

Mayur Gathani: And if you do not mind can you give me the subscription number and the digital activation revenue for FY13 also?

Rajesh Kaushall: FY13 the total digital activation revenue was INR1450mn. FY14 was INR1545mn and on the subscription side the last year number was INR1760mn and this year number is INR4070mn.

Mayur Gathani: I will just repeat, little activation I heard you saying INR1879mn previously, no?

Rajesh Kaushall: No.

Mayur Gathani: So can you repeat that?

Rajesh Kaushall: INR1450mn is FY13 and FY14 is INR1550mn actually.

Mayur Gathani: Any broadband numbers that you could share using around 0.5mn home passed by year end, how many can we see in active number sir?

M. G. Azhar: We already have some active that is not a number. We just started may be, last time we have just started. So probably we will be in a better position to give you some numbers next quarter.

Mayur Gathani: And we are doing at 50 Mbps right there?

M. G. Azhar: Up to 100 mbps, so obviously the initial indication that we have is obviously after that also much higher but let me not share any numbers at this stage because we also want a little bit of scale on the ground before we put out a number which will be relevant and we can hold onto those numbers.

Mayur Gathani: All the very best sir.

Moderator: Our next question is from the line of Nirav Dalal from SBI Cap Securities. Please go ahead.

Nirav Dalal: Sir I have 2-3 questions. One is the INR70/85 that you said, that is including taxes or excluding taxes?

M. G. Azhar: Including taxes.

Nirav Dalal: Also I just wanted to know about the Star DEN JV, now that Star is going on its own and seems that the JV will have no relevance, so what is the future of the JV, though it has no material impact on the number, but just wanted to know.

M. G. Azhar: JV basically is going to be a non-functional JV and I think hopefully over a period's time the legal entity will be added we sort of dissolved or wandered off. So that will be good on its own process but having said that there would be no consolidation on numbers. Like you said it was in any case very small number it will not having any material impact.

Nirav Dalal: Okay, and in terms of Delhi and Kolkata what would be the share of LCO that would be coming in the expense side?

M. G. Azhar: We are closer to between 40% and 45% number.

Nirav Dalal: But it would be shown as an expense, right?

M. G. Azhar: Yes.

Moderator: The next question is from the line of Vaibhav Zol from ING Vysya Bank. Please go ahead.

Vaibhav Zol: I just wanted to understand the policy of your debt numbers have increased between 2013-14 by around INR3000mn while you still are holding cash, so if you are getting into expansion mode on the broadband phase, what is the use of this cash which you have kind of kept it on your balance sheet?

M. G. Azhar: Cash is also getting deployed and majority of the cash is going to be used for Phase-III and Phase-IV of digitization and broadband rollout. So obviously we raised this money towards the end of the year that is why you are probably seeing a higher number but as we go through the year and we deploy more boxes and deploy more CAPEX on the broadband side obviously some of the cash will get deployed. But having said that the larger use of the cash will be towards Phase-III and Phase-IV deployment of us for which the deadline is as of now 31st December, 2014 but you may probably give it another six more months probably but I think that is the reason why the cash is there and that we get really consumed in deploying those boxes and ordering those boxes in the deployment phase.

M. G. Azhar: And also I think just to add to what Rajesh said, I mean obviously we have some of good structured deals, debt deals, rupee denominator deals from some of our vendors so that makes eminent sense for us to fund some of the equipment's on those funding arrangements.

Vaibhav Zol: So what would be the expected balance sheet debt for FY15 and corresponding cash figures, I mean if you have some indicative numbers there?

M. G. Azhar: A lot of it is going to be driven by digitization deadlines and one does not have 100% clarity on that so let me not put a cash number. But having said that I think we will try and maintain similar kind of debt profile when it comes to our debt equity ratio which is in the region of 0.5-0.6:1.

Vaibhav Zol: Assuming this December deadline holds, would this entire cash be utilized by the end of March 2015?

M. G. Azhar: When you say entire cash obviously, INR2bn will always be there on our balance sheet.

Vaibhav Zol: Yes, I mean that minimum liquidity you would maintain I know, but the majority of it will get deployed for the Phase-III, Phase-IV. Just one more question, can you throw some light on this new investment which you have done via Den Network on the Indian Football League?

M. G. Azhar: We took the football league at a time when we thought, as it is the whole business environment is transforming itself from a B2B or B2C environment, the cable business. Parallelly we were planning to launch a broadband services which is entirely a B2C business and where the customer profile and the brand is also very-very important because you would be fighting with the wireless Telcos of the world and operators like Bharti who have a very-very strong brand. So this was actually to dovetail with our broadband launch and having said that we think probably soccer as a sport its time has probably come in India and it has a huge amount of fan following in India and we hope that this is going to be a very-very profitable business going forward and we should be a great value creator for Den shareholders.

Vaibhav Zol: And the financial impact as we understand it so far is just INR120mn to INR150mn per year of incremental investment. Is that correct or would that be more investment which you would have to make per se being part of this deal itself?

M. G. Azhar: Yes, you are right. You were in the ballpark and that number will probably diminish in the next couple of years.

Moderator: We have the next question from the line of Pratish Krishnan from Antique Stock Broking. Please go ahead.

Pratish Krishnan: Wanting to know for the CAPEX that you had for the year what was the number and if you can split that into broadband and set top-box side?

M. G. Azhar: We can probably give you an overall CAPEX numbers but in terms of broadband – broadband I think we have committed almost INR700-800mn at this point in time. Half of it would be INR700-800mn at this point in time, half of it could be on 31st March balance sheet and some of it is still work in progress.

Rajesh Kaushall : So we will give you a broader number of the CAPEX deployed in India. Intermittent CAPEX during the year has been about INR4600mn or so, and primarily this has been on account of the set-top boxes.

Pratish Krishnan: Okay and in terms of the inventory where would you be today?

M. G. Azhar: We are closer to about 0.35mn.

Pratish Krishnan: And how should we look at subscriber addition for next year? You have nearly 7mn subs in Phase-III, Phase-IV, so when would be start seeing the addition? Would you wait for any particular indicator or something or how should we look at it?

M. G. Azhar: We have been doing almost anywhere between 0.4mn to 0.5mn quarter-on-quarter and this is almost on an organic basis. But as you might be aware that majority of the set-top box deployment is going to be driven by the impending digitization deadline for Phase-III and Phase-IV. So as we move closer to the deadline probably we will have a much larger number but obviously like Rajesh mentioned there could be possible 3 to 6 month kind of delay in the overall numbers. So in fact we will wait for the impending deadline for demand to really pick up.

Pratish Krishnan: And secondly in terms of the overall broadband side, given that you are just starting off in terms of rolling out, should we expect some kind of OPEX to kind of come through which potentially can impact the margins and how should we look at it?

M. G. Azhar: Like we have mentioned there is already a INR60-70mn kind of cost that has already gone into the P&L but having said that the broadband is going to be a separate operation and hopefully once we get scaled and obviously this is going to be a little margin depressive in variation debt but having said that I think as we scale up and we get to a reasonable size we will probably give you a separate P&L and revenue and cost item for the broadband business. Our endeavor would be to not allow broadband to actually be margin depressive or have a significant impact on the overall numbers.

Pratish Krishnan: Okay. So INR60-70mn for the year, right?

M. G. Azhar: Essentially for the quarter because this whole process got initiated six months back and obviously it has a build-up.

Pratish Krishnan: Okay, certainly that kind of cost one should probably be ready to taking it.

M. G. Azhar: And they you will start having some corresponding revenues against it.

Moderator: The next question is from the line of Naval Sheth from Emkay Global. Please go ahead.

Naval Sheth: One is on the broader subscriber target what you are looking at by the end of FY15 or say FY16, so that remains intact with our long term strategy of ~20mn or we would restrict that to a lower number?

M. G. Azhar: Like you said earlier there is still 7mn odd, today the digital sub-base of Den is about 13mn out of 6.1mn which is already digital. 7mn is yet to be digitized, part of Phase-III, Phase-IV but we will be expanding some of our footprint and as we speak we already are doing it. I think by the time digitization gets completed we will be anywhere between 15mn to 20mn flat on numbers. So there is absolutely no change in plan.

Naval Sheth: What kind of subscriber addition in broadband you are thinking of in over the next 1 to 2 years? I think I might have missed that number if you have stated.

M. G. Azhar: No, we did not obviously throw up any number. Like I said we just started the soft launch, we have already soft launched in some parts of South Delhi and we will be scaling up rapidly over the course of the year. So we are not putting up any numbers because we want to get to some kind of reasonable scale, have enough experience on the ground before we actually start putting out numbers.

Naval Sheth: And sir any specific reason for employee cost decline?

M. G. Azhar: I think this was more of a true up in the last quarter but on the annual basis the person cost has risen by about 10%.

Naval Sheth: Okay. So one should assume similar kind of increase over FY15 as well or there would be higher increase because of the broadband coming into the play?

M. G. Azhar: On the existing number you might get in anywhere between 10% to 15% kind of incremental growth plus some employees in the broadband side. But I think 15% number should be a reasonable number because on the broadband side also we are not building a very-very top heavy or a bottom heavy kind of model. The idea is to work with partners who will provide you with specific service and having the whole employee strength on their books and running the whole ecosystem for you.

Naval Sheth: And lastly sir this distribution revenue, or distribution financial would not be there from next quarter. Am I right?

M. G. Azhar: Yes, you are right.

Moderator: Our next question is from the line of Saurabh Agarwal from YES Bank. Please go ahead.

Saurabh Agarwal: Just wanted to ask with respect to the Phase-III, Phase-IV rollout how do you see the competition from the HITS technology in terms of your business plan?

M. G. Azhar: I mean there are two sides to it, one is from a consumer perspective is it any different from when it comes to consumer moving to any specific platform, does it differentiate between cable or HITS or DTH? I mean answer to that is not yet. Obviously if you look at it from a LCO point of view from that what is the extra benefit that he is getting from its traditional cable platform when he moves to the HITS platform, he has to actually invest some money. Is he in control of the subscribers technically? Answer to that is no. We had deliberated this idea 6 years back and we came to the conclusion we could be wrong as well but we came to the conclusion that HITS as a model does not have enough drivers for it to be successful. So we do not see HITS per se having a significant impact. If at all it will have an impact it should actually get into some DTH business, because you could possibly have new set of operators sort of coming through the marketplace, laying network and for them it is going to be entirely new business. So we do not see any significant impact on the HITS platform.

Moderator: We will take the next question from the line of Mr. Alankar Garude. Sir you may go ahead.

Alankar Garude: Sir, wanted to check on the broadband operations. Now how difficult it is to increase the homes passed and then to convert the homes which have already been passed into actual subscribers?

M. G. Azhar: I mean lot will depend on the strategy that we follow, the markets that we operate in. Every market has got different dynamics. If we are talking about traditional market like Delhi or some of the largest cities where there could be incumbent players and there could be multiple players. In those markets strategies are going to be very-very different but having said that the way we are positioning it in the marketplace at least in the larger markets our starting speed is something from 5 mbps and if you see all the competition it probably ends at sort of 5 mbps kind of service and the 5 mbps going up to 100 mbps. So we are definitely trying to create a separate category both in terms of aspiration and expectation as well. So even though we expect some reaction from the existing guys but I think the product proposition is strong enough but on the rollout side obviously we took a little while because like I mentioned earlier we had to work on the entire ecosystem because there are not many vendors either on the design side or in the deployment side or on the map sides who are around but I think we have not sort of spent almost couple of months trying to evolve the ecosystem. I think we are looking up anywhere between 30,000 to 50,000 homes passed per month we should be able to do.

Alankar Garude: Sir just a follow up on that, are we planning to share anything with the LCOs on our broadband business?

M. G. Azhar: Yes there is close to about 10% commission that the LCOs will get as part of the broadband service.

Alankar Garude: Sir my second question is on Phase-II gross billing. We are yet to see significant progress happening in Mumbai as well as Kolkata in terms of gross billing. So are we willing to divert our attention to Phase-II gross billing as of now or will it take at least one or two quarters more?

M. G. Azhar: No it is not question of diversion of attention but having said that obviously we all operate under a regulatory environment and we have to all sort of abide by it. The instructions from the regulators are clear to start the Phase-II gross billing for the entire DAS market and we are pretty much going to follow the instructions. Obviously this will come with its own set of challenges as we have seen in the Phase I market but having said that I think all us will have absolutely no choice but to abide by it because recently the regulator came out with some procedural changes around the gross billing as well in terms of what the expectations are from any MSO. So clearly all the MSOs will have to put an effort and initiate the process of gross billing. Having said that, it will take at least a quarter for all of us to see the full benefits of it.

Alankar Garude: Another question about the TRAI mandated tariff hike. Though it has been mandated from 1st of April, recently TDSAT has kind of deferred that to July. So are we seeing any progress on that front whether it be in terms of higher bargaining power for broadcasters or any incremental revision in the content cost agreements so far?

M. G. Azhar: I do not see that is going to be any reason because there are two sides to it. One is the broadcasters get an overall increase in the à la carte and bouquet rates because of all of this and number two which is of a consumer and ARPUs can increase and because this is applicable for the non-DAS markets. So for the broadcasters even though you get an opportunity to increase some of your à la carte rates and the bouquet rates but the fact of the matter is that the rates that are prevailing, the content rates, at least the published rates which are applicable for the content in this country are still mispriced. We were all sort of evolved from the analog movement, so I think that itself has to correct over a period of time. So my sense is any increase in the overall à la carte rate or the published rates will not have any significant impact in terms of negotiations between the MSOs and the broadcasters. So I do not see that being any particular reason for any increase in enhanced bargaining for MSO and broadcasters.

Alankar Garude: Sir my last question is on the change in government, with a new MIB minister coming in, do we foresee any changes in the overall digitization process? Any chances of it being expedited or whether any shift in deadlines is possible?

M. G. Azhar: There is no question it can be expedited because the deadlines are already aggressive considering the kind of box deployment and the size of the market that one is talking of. But all of us anticipate there will be a 3 to 6 month tenured delay. Even after six months you manage to digitize the entire country I think if you see over a three year period it will be a remarkable achievement for any government or any country to achieve the kind of scale of digitization that our country has witnessed. Having said that this is a very-very big number, 3 months, 6 months here or there will not make any difference and we definitely see continued government and ministry supports towards this whole process of digitization because if you see the way the digitization is made it has probably benefited everybody, be it the consumer, be it the broadcasters, be it the MSOs. And it has actually changed the entire distribution landscape, so having all that positive merits of the case there is no reason for any government to actually back off on this.

Moderator: We have the next follow-up question from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani: Just wanted to check our incremental spends on this football team buy would be around INR120-150mn, right annually?

Rajesh Kaushall: Yes, that is going to be the cash loss.

Moderator: Thank you. As there are no further questions from the participants I now hand the floor back to Mr. Alankar Garude for closing comments. Thank you and over to you sir.

Alankar Garude: Thanks everyone for participating in the conference call. Special thanks to the management for giving us this opportunity. Have a good day.

Moderator: Ladies & gentlemen on behalf of Edelweiss Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

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