“DEN Networks Limited Q4 FY16 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the DEN Networks Limited Q4 FY16 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involved risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentations 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. Pradeep Parameswaran from DEN Networks. Thank you and over to you sir.

Pradeep Parameswaran: Thank you so much. Welcome to all the analysts on the call today and thanks so much for being a part of our quarterly results discussion for DEN Networks. As we have done in the past, I will start with a quick set of updates on some of the strategic initiatives that I have talked about on the previous calls and also on our delivery against the business guidance we provide during FY16.

Let me just start to talking about three major things that you would have seen as announcements in particular over the last quarter. First, we divested 55% of the football business. Second, we divested out of the Star-DEN joint venture. And we have initiated the corporate simplification exercise that we had eluded in the previous calls. On the operating side of the business, we continued a strong momentum on subscriber editions. We added a million boxes on quarter four. This is top of the 1 million that we already added in quarter three. We have done this mostly in our existing footprint, which is quite critical because it improves the operating leverage and hence the speed at which we attain profitability in those markets. With this, our digital base goes up to 9.4 million boxes and with a very material presence of about 4.4 million boxes in phases 3 and 4. You will also notice that the price realization of the boxes deployed has consistently improved over the last three quarters, which is substantially reducing the cost of acquiring subscriber in cable. We were able to generate the most capital efficient deployment of the boxes, which is reflective. We believe of a strong DEN brand that we're being able to build over the last few years.

In Phase-1 and 2, we had flagged off that we have started the packaging exercise. We have just completed a two-pack pricing structure, that is now fully established in our Phase-1 and Phase-2 markets, the details of which are on our website. Our priority in the coming quarter is very much around monetization of this large Phase-3 base of digital subscribers. On the broadband side, we have continued to make very steady progress. At the end of the quarter, we were at close to 100,000 subscribers, 95,000 subs specifically and we have a Homes Passed Base of about 7,75,000 homes.

In this quarter, we did two important initiatives on the revenue side. We have started sales through retail channels in Delhi. We have also launched a very, very good website that is getting terrific traction and seen sales growth month over month. On the usage side, we have seen a substantial jump in bandwidth usage. We are now slightly north of 35 GBs of consumption per home per month, which is a sign of the quality of the product and the demand of the product. We have been able to monetize that increase and that is reflected in the ARPU that we have reported. Our consumer churn on the broadband business remains under 2%, which is a very good level. We will continue to work towards the profitability of the broadband initiative business through our combination of initiatives both on the revenue side as well as optimizing the operating costs. That focus has actually yield very good result. The results have made the base for a rapid expansion of the broadband business. We will soon talk about the specifics in terms of our profitability performance over the last quarter. At this time, I will ask Manish to walk us through some of the important numbers in our results.

Manish Dawar: Thanks Pradeep. Ladies and gentlemen, welcome to the call. I'm sure you would have gone through the presentation that we circulated on quarter four in our full-year '16 performances. Few comments on some of the initiatives that we took during the year before I get into the results. As Pradeep mentioned we divested 55% stake in our football business for the consideration of Rs 43.3 crores. This was almost a cash break even exit for us divestment resulted in an exceptional gain of Rs 46 crores for the business. We are fully divested out of Star-DEN JV at a consideration of Rs 40 crores. This resulted in a profit on sale of investment of Rs. 37.8 crores in the standalone entity. We have adopted a conservative policy on provisioning of debtors and advances during the current quarter. Again this was something mentioned by us a couple of quarters before, the same has been approved by the board. We have provided for Rs 107 crores as an exceptional cost. On a consolidated business and net of football exceptional game, the number stands at Rs 65 crores during the last quarter. The board has already approved a merger\demerger of 23 entities and demerger of broadband entity. This will shortly be filed in the court.

Coming to the results, we witnessed significant growth in the consolidated revenues. The consolidated revenues in quarter four were up by 37% on year-on-year basis from Rs 270 crores to Rs 370 crores largely led by the cable revenues during the corresponding periods. Cable business achieved a revenue including activation of INR 346 crores in quarter four, 15-16, up from Rs 265 crores in quarter four, 14-15. Cable subscription revenue during the quarter grew 13% on a quarter-on-quarter basis and total cable revenues grew 30% during the quarter on a Y-on-Y basis. Activation revenue contributed almost 104 crores to the consolidated revenue line of DEN during the quarter. Full-year activation revenues stood at 232 crores because of the DAS-III implementation. The overall cable business resulted in an average revenue on per box per month cases in DAS-markets at INR 81. These numbers are net of LCO commissions and net of taxes as we maintained in the past. ARPU for DAS-I and II markets stood at Rs. 96 and 72 respectively. These ARPUs are average for the quarter, net of taxes and LCO share on per box per month basis. The collection efficiency continues to maintain a strong momentum during the quarter and we actually improved in this quarter versus the previous quarter as well. On content and carriage, we have entered into a next deal with two of the leading broadcasters in the country versus the independent content and carriage agreements in the past and that is the reason why you would have a seen a decline in the placement cost as well as decline in the content cost in our current quarter P&L. The placement income declined on a quarter-on-quarter basis for the reason mentioned above at Rs 95 crores during the quarter versus 111 crores in the previous quarter. This is mainly as a result of the net deals we entered into as mentioned earlier. You would have also notice the reduction in corresponding content cost. As compared to the previous quarter, the content cost has dropped from 131 crores in the previous quarter to Rs 105 crores in the current quarter. Revenues for broadband business stood at INR 15 crores or 25% increase on a quarter-on-quarter basis. primarily driven by subscriber addition and better ARPU as mentioned by Pradeep earlier. Full year broadband revenue stood at Rs 40 crores versus 8 crores in the previous year, which was almost the startup year for broadband business. We focus on cost and ARPUs. We've been able to bring the EBITDA losses down to 12 crores during the quarter from Rs 20 crores two quarters ago. TV shop business is showing good traction in terms of revenue, which have improved to about 14 crores in the quarter compared to Rs 2 crores in the previous, which was a launch year for the TV business as well. Currently, we analyze GMV on run rate basis at approximate 240 crores. During the year, the EBITDA losses on TV shops to date about 22 crores. This is our share of the overall losses. As you know this is a 50% JV with Snapdeal. We have taken steps to ensure that the losses are mitigated during the year. Moving to the bottom line consolidated EBITDA post-activation revenues stood at INR 99 crores during the quarter with cable EBITDA at 119 crores positive versus 92 crores positive in the previous quarter. There was an EBITDA loss in the broadband business of 12 crores, football was negative 2 crores and TV shop was negative 6 crores during the quarter. Consolidated EBITDA during the quarter on pre-activation basis stood at a loss of 5 crores versus a loss of 43 crores in the previous quarter.

Cable business contributed a positive EBITDA of 15 crores as compared to a loss of 6 crores in the previous quarter. On football, we were able to reduce the full-year EBITDA loss from 46 crores to 37 crores on a year-on-year basis in the current year. As you know we've already divested 55% of the business, therefore going forward, we will not be consolidating this business on a line-to-line basis. This business will be treated like an associated as per accounting standard 28 of INDAS. With that, I would like to open the floor for questions and answers. Thanks a lot for your time.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session.. We will take the first question from the line of Vivek Anand Subbaraman from Ambit Securities. Please go ahead.

Vivek Anand Subbaraman: I have a couple of questions. One is pertaining to the subscriber count. Sir, do you still have a 1 million inactive subscriber base in DAS-I and II areas. That's one and secondly on the subscription income, so this quarter we witnessed divergent trends among the MSOs that have reported. You've seen a very healthy growth in subscription income during the quarter while the others have seen a more or less flattish quarter in terms of subscription income, that's one. So can you explain this? A related question on subscription is since we're now booking subscription on a net basis, can you help us with the last 3-year actual subscription number, net of the LCO share FY14, FY15 and FY16. Yes, thanks. I'll come back with more.

Manish Dawar: Okay, Vivek. I'll take that question. So as far as your first observation is concerned, one million inactive boxes in DAS-I and II, yes, that remains. Although, let's say, I would say 1 million remains, but we're seeing some momentum whereby boxes have started to kind of come back. We've seen in the current year almost about 200,000 boxes, which were inactive earlier in the DAS-III areas come back to us and we've activated those. So as we said previously, we will undertake this exercise after we complete Phase-3 exercise and then we'll take a call on what is that we need to do on this 1 million inactive boxes. On subscription income, again your point of view is correct that we have seen healthy trend, but I think it's important that you understand the reason, I mean in March month, we were able to collect some revenues from Phase-3 market as a result of Phase-3 dealing. And as you know, I mean we have a substantial base in Phase-3 market close to 4-4.5 million boxes, which is the highest amongst all the MSOs so far and therefore we do expect a bigger opportunity for us versus the other MSOs in the next few quarters as we go about monetizing the Phase-3, which remains the priority for us as mentioned by Pradeep as well.

Vivek Anand Subbaraman: Right. Sir, on a related note, the number that you've mentioned net of revenue share for FY15, that's 459 crores, 487, which increased to 487, you know this you're saying largely contributed by the Phase-3 areas, the incremental amount that has come in.

Manish Dawar: No, Phase-3 was only a March month, Vivek, but rest of it is organic growth out of Phase-1 and Phase-2. And as you know, 459 and 487 are on a like-to-like basis because in the previous year, there were some gross up billing also, but we netted off those numbers for presentation purposes.

Vivek Anand Subbaraman: Right and the year before that sir if you could share that number it will be helpful, FY14 also.

Manish Dawar: I don't have it.

Vivek Anand Subbaraman: For the full-year.

Manish Dawar: But if you can just give me 1 second, let me just attempt that for you, so subscription revenue in full-year 14 about 368 crores.

Vivek Anand Subbaraman: Okay, fair enough. Sir, a couple of questions on the CAPEX, you have mentioned the continued decline in CAPEX per home passed in broadband, I wanted to understand this in detail, so can you break up the CAPEX that you have on a per subscriber basis on one, increasing the catchment area and secondly to acquire a subscriber and how these parameters are changed.

Pradeep Parameswaran: I'm not sure I fully understood the question. Are you asking for the breakup of the cost of home passed?

Vivek Anand Subbaraman: Sir, in your presentation in slide number 4 or 5, whichever is applicable, you mentioned continued decline in CAPEX per home passed. So if you could elaborate on this with the per subscriber and per home passed numbers, that would be great.

Pradeep Parameswaran: No, so if you remember, we used to be at a number that used to be north of Rs 2000 per sub when we actually started this roll out in the early part of last year. And we have made a number of changes to this actually, physically roll out the network. We have optimized the network configuration. We have optimized the equipment and we have optimized labor, which is actually driven a substantial obviously, reduction. There's also been some benefit because of the scale because we have rolled out more number of homes in the last 2 or 3 quarters. And we're now I think the numbers that is closer to Rs. 1000 per home cost. We also expect that going forward, we're not going to see that kind of reduction that we saw last year because we feel like we're at a pretty optimized level now.

Vivek Anand Subbaraman: Right and sir, this thousand rupee per home passed is what is the assumption that you are taking for, you know, home passed to paying subscriber base because, right now you're sitting at one-eighth of your consumers or one-eighth of the catchment area is actually subscribing to your service. So for Rs. 1000 to play out, do you need a higher offtake of your service or is it…

Pradeep Parameswaran: Rs. 1000 is not dependent upon the cost of the penetration, that's a cost of home passed.

Manish Dawar: Vivek, we're not saying it is Rs. 1000 per subscriber. We're saying it Rs. 1000 per home passed.

Vivek Anand Subbaraman: Right, so the subscriber acquisition cost with respect to, you know, deployment of the modem and also the WiFi router, that would be additional, right, on top of this.

Manish Dawar: Yes, right.

Vivek Anand Subbaraman: Right, right. So in total, how much is that?

Manish Dawar: So let's say, we want to know on a per subscriber basis?

Vivek Anand Subbaraman: Yes, yes, per subscriber.

Manish Dawar: So let's say if you go to assume because as of now the business is relatively new and therefore the penetration levels are low, you would have seen the cohort analysis also in the presentation, but we're expecting to achieve, let's say, in a fully stable state business penetration of about 25%, so on the basis of current CAPEX, your per subscriber home passed cost will be about 4000 - 6000 x4. And then as far as the modems and last mile services are concerned, that is close to Rs. 3000 per subscriber.

Vivek Anand Subbaraman: Right, got it, got it. Sir, on a related note, what is the target that you have for fiscal '17, the increase in catchment area for broadband and the targeted subscriber base?

Manish Dawar: Vivek, we're not giving any guidance on the next year.

Moderator: Thank you. The next question is from the line of Naval Seth, Emkay Global. Please go ahead.

Naval Seth: A couple of question sir, can you throw some light on content, deals you've signed, how those are in your favor and benefited in terms of QOQ and YOY decline in content cost?

Pradeep Parameswaran: Yes, sure. I'm not sure where you got into our benefit because just we had net cost is actually increasing year-over-year.

Naval Seth: No, but sir, net cost if I look at, your numbers are substantially lower than the competitor, so that is where I termed it as favor.

Pradeep Parameswaran: Yes, now I understand. So as you know, DEN is obviously always enjoyed the historical advantage because of the nature of our subscriber base with the dominance that we're have in Hindi speaking markets in places like Delhi, UP, Bihar, Jharkhand and we continue to enjoy the benefits of that even as we negotiate our new deals. Now the structure of the deals that we have signed our fixed fee deals and they are net deals as opposed to a separate placement and separate content deals we used to have in the past. It's a bit of a reflection on the fact that the business model going forward is going to be a revenue mix which will be more and more focus on subscription as oppose to carriage. I think the one big benefit we see that compared to past duration, we've signed deals that are two or more years in duration, which will help us a lot in terms of getting visibility into our cost structure through the end of FY18. And because they're mostly of a fixed nature, we also had visibility into the absolute number. So as we continue to expand our seeding and the number of subscribers that obviously provides a lot of operating leverage to the business. Like I said that's been done with two of the major broadcasters. We are in negotiations for one of our deals that recently expired, which should also get done in short order.

Naval Seth: If I look at on YOY basis for '16, your net outflow was 34 crores versus 29 last years, say, the content cost paid and carriage or placement received. So what trend you would now suggest because that increase is still far lower than what it should have been. I think I had met Manish a couple of months back, so he had stated it will be net 100 crores payout and we would increase towards 500 crores in 3 years. So is that guidance remains intact or is there any change with the recent deal that got concluded?

Pradeep Parameswaran: Now with the way we look at it if you see – I don't know where you're getting 13 crores because if…

Naval Seth: 34, I'm saying.

Pradeep Parameswaran: 13 cores

Naval Seth: 34, so 508 crores is a content cost and 435 crores is the placement.

Pradeep Parameswaran: 73 crores, right?

Naval Seth: Sorry, 73 crores. My mistake. Yes.

Pradeep Parameswaran: So therefore, 73 crores and then we will have some uptick on this number in terms of the additions although let's say we have some firm deals in place and they're mainly in the nature of fixed deals and we have a 2-year visibility on some of the large broadcasters. One or two are still under negotiations. So basically for next year, therefore you can expect marginal increase on the net number because the way we look at it and that is how we've been talking we should be looking at on a net basis rather than carriage separately or placement separately and content cost separately. So in the long-term, obviously we're not giving any guidance, but the way it will pan out depending on the number of subscribers and all of that, so all of that end of the day is linked to the number of subscribers base we have the areas we're going rather than a particular absolute amount.

Naval Seth: Okay. And what is the tenure of these two deals concluded recently?

Pradeep Parameswaran: 2 years.

Naval Seth: Okay. And on package wise billing as you're stated on the packages have been now started in 2-Tier packaging, what is the status in terms of deployment and if any numbers there if you can highlight.

Pradeep Parameswaran: Sorry, what kind of numbers?

Naval Seth: In a sense that how many households or how much digital subscribers of yours would be now on package-wise billing?

Pradeep Parameswaran: Yes, very, very early days, so we're not actually talking about that right now, I mean we should give it a little bit of time because the next question you will ask me is that what is the impact of that on the collections, right. And now I'm so consequently the reason I'm saying that we just barely finished the implementation and typically it takes one or two quarters at least for that to play through. So, you know, let's revisit this question in a couple of quarters.

Naval Seth: Okay and my last question is on UP connection, have you seen, you know, uptick over there in terms of ground selection or that remains suppressed now.

Pradeep Parameswaran: Yes, the short answer is yes. I'm quite pleased to say that we've had among our four major centers, we have seen an uptick in three out of the four major centers. And that's happened with the great deal of effort but our ground teams and partners have done a terrific job in terms of driving that increase, so we're enthused to see at least in our major centers recent increase in UP.

Naval Seth: Okay and last question if I may ask, anymore provisions which would be there in FY16-17 or majority of cleanup is done now.

Manish Dawar: Majority of the cleanup is done because we've actually implemented a policy which has been approved by the board to bring that future decision also, so we will ensure that we will follow that policy and therefore as far as the investors and analyst community is concerned, you will have a complete transparency available on that, but again as we've said that cleanup is done and therefore we've taken that hit as an exceptional hit.

Moderator: Thank you. The next question is from the line of Gautami Desai from Chanakya Capital. Please go ahead.

Gautami Desai: Out of your 95,000 subscribers, how many in Delhi and how many in Kanpur?

Pradeep Parameswaran: Sorry Gautami. We're not sharing numbers at a geographic level.

Gautami Desai: Oh, okay. And all these are DOCIS?

Pradeep Parameswaran: Mostly DOCIS.

Manish Dawar: 90% or more than 90%.

Gautami Desai: Okay fine. And this Rs. 96 and Rs. 72 in DAS-I and II, does that include your part of the service tax, I mean not the LCOs one?

Manish Dawar: Gautami, these numbers are net of all the taxes and net of LCO commission.

Gautami Desai: Okay fine. And this write-off which you had, that would be more related to your LCO receivables or carriage or can you throw some light on what has exactly been written-off?

Manish Dawar: It's largely LCO receivables, there is some small component of some advances and carriage receivables as well, but that's a small component out of the whole thing.

Gautami Desai: Okay so going by what you answered previously, you said that most of it is like done the clean-up, so then can I assume most of your LCO receivables the clean is done there.

Manish Dawar: Yes, that's what I said earlier that we've implemented a policy in place and we stick to the policy and you're right I'm saying that.

Moderator: Thank you. The next question is from the line of Chavan Bhautik from Span Capital. Please go ahead.

Chavan Bhautik: Sir, how much CAPEX do we incur in FY16?

Pradeep Parameswaran: In FY16, we incurred a total amount of about 500 crores on broadband and cable businesses, both put together.

Chavan Bhautik: And if you can help with the split?

Manish Dawar: It was largely cable at about 450 crores, 70 crores was broadband.

Chavan Bhautik: Okay and sir, what would be the CAPEX guidance for FY17?

Manish Dawar: Okay, we're not giving any guidance. But as you know in the 17, CAPEX is largely dependent on what will happen in Phase-4 where we're still not very clear while, let's say, the deadline date is December 16 as you know, but we're not very sure whether the government will go ahead there will be some postponement or there will be some court actions and all and that's the reason we're not in a position to give the guidance for CAPEX for next year. As far as Phase-3 is concerned, we are left with about close to 0.5 million boxes, a little, let's say, north of 0.5 million boxes and we have that kind of inventory available already with us.

Chavan Bhautik: Okay and sir, what would be our set top boxes inventory in numbers?

Pradeep Parameswaran: Manish just said that we have just little bit more than 0.5 million boxes.

Chavan Bhautik: Half a million, okay and how much subsidy in boxes are we giving in the activation?

Manish Dawar: You can take about Rs. 300 to Rs. 400.

Chavan Bhautik: Okay. And sir, what is our cost of fund?

Manish Dawar: What do you mean cost of funds, are you looking on blended basis because we have a combination of various structure.

Chavan Bhautik: Yes, what would be in the blended basis?

Manish Dawar: About 9% to 9.5%.

Chavan Bhautik: Any debt repayment behind plans?

Manish Dawar: Yes, that is there. We're on track because the banks will not leave without the debt repayments.

Chavan Bhautik: Okay. Are we looking for any inorganic expansion?

Manish Dawar: Not at the moment, but again as you know I mean we think for any corporate, it's a dynamic environment and we kind of keep on exploring various strategic options including M&A, capital raise, etc. So whenever there is something concrete, we'll definitely come back to the market and to the stock exchanges to inform if something is there.

Moderator: Thank you. The next question is from the line of Mayur Gathani from OHM. Please go ahead.

Mayur Gathani: Just wanted to check, what was total provisions for FY16?

Manish Dawar: Total provision, I mean you're talking about exceptional or the regular provision.

Mayur Gathani: The regular provision, that write-off that you took for the LCO receivables.

Manish Dawar: So if you see the total provision for doubtful debts, we provided for about 47 crores in FY16 and then we have exceptional item of 107 crores and net of football gains, it stands at 65 crores.

Mayur Gathani: Sir, 47 crore was the write-off, but 107 crore was for what?

Manish Dawar: 47 crore also not a write-off, it's a provision.

Mayur Gathani: Yes, okay.

Manish Dawar: So I hope you wanted the figure including that, right?

Mayur Gathani: Yes, I just want to know what was the 107 crores for?

Manish Dawar: I just mentioned the same thing to the two analysts before, right.

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

Rohit Dokania: Just few questions from my side. As Pradeep, you can touch upon, you know, what you feel could be the outcome of this nondiscriminatory content exercise which the regulator is doing. I've given the light that you know there is a vast spectrum of net content cost which we or the DTH operators there is a vast difference, you know, if you could allude to that?

Pradeep Parameswaran: I feel it's very difficult to answer probably it takes a lot longer than just this call because my sense is that there are three sets of things that are going on – one is just the core principle of nondiscrimination, that's come out of the NSTPL judgment. It is also in parallel and entire fresh exercise that TRAI is engaging around restructuring the way content is thought about and they are proposed a couple of very interesting new models for deployment and then lastly it's happening in the context of large changes in the industry structure. As you know, we've gone from thousands of MSOs now a few hundred of MSOs and my guess is that it was just outside of my current position. It's obvious that there will be consolidation because there're hundreds of MSOs and there is no business case for there being hundreds of MSOs. So as that consolidation happens, the balance of power will also change. So if you kind of put everything together, it's very difficult to predict exactly how the content regime will play out. But if you look at the past history, they've been able to continue to say that if there're contracts that are being signed typically, those are honored. That's the opinion that we have received that they will continue to be honored. And then depending upon how the new TRAI process goes, you know we may have a different structure going forward, but it's very difficult to give a precise answer for that.

Rohit Dokania: Sir just a small follow-up on this, can you confirm whether carriage is a part of the entire exercise or you know that's probably left out of this?

Pradeep Parameswaran: No, actually carriage in its various terminology is definitely part of the exercise.

Rohit Dokania: Okay, sure. The second question, can we talk about the status of the stay orders on digitization?

Pradeep Parameswaran: Yes, I think the latest of that is that the Supreme Court had asked the Delhi High Court to be the single point of referral for all DAS-stay related cases and there is a process underway of transfer all of those cases to the Delhi High Court. They have started to give opinions. There was a judgment around Karnataka and vacation of stay in Karnataka that came out I think last week or just before that and we expect to see that happened across all those markets. The best we can say is that over the time period of June and July, I think there will be a lot of clarity around this. So one of the things just to make a notation of is that Supreme Court has also observed that in the future especially important as DAS-IV is coming up, it will be very difficult to go and take stays in some small district court or small magistrate court, the stay order has to be routed through the Delhi High Court, so it may be as easy to do it as it was last time.

Rohit Dokania: Okay, that's very helpful. The other thing is Manish we can talk about the absolute fall in the content cost is far higher than the fall in carriage revenue at least for this quarter what is leading to that?

Manish Dawar: I think Rohit, the way to look at it is there was some quarter 4 true ups in the current quarters and therefore you see a significant drop in carriage versus the drop in content. At the same time when we did the reconciliation and because some of the net deals were effective from a little back date and therefore that effect is also coming in quarter 4, but you should look at the full-year number that is representative of where we stood in this year.

Rohit Dokania: Sure. Also in the same light, could you please allude to what could happen in FY17 in the sense if you could at least reported carriage number, could that fall by, let's say, 10%, 15% and at the same time, you know the content could increase if you could talk about that?

Manish Dawar: Rohit, on a net basis as I said there will be some small impact of DAS-Phase-III because the seeding is virtually now complete. The court cases as for this set, we'll get decided may be after the court vacations are over and thereafter the analog signals will start to get switched off, so there will be some impact of that on the content side. But again in I would say in the medium term, we have to start to kind of push the opportunity on the placement as well, so obviously it will be more favoring the content than the placement.

Rohit Dokania: Sure. Okay and can you talk about how one should look at probably exit ARPUs for FY17, I don't need guidance, but at least some sort of directionally how one should look at?

Manish Dawar: I think broadly that we would imagine that we should be collecting at least 50 plus taxes in the Phase-3 markets by the end of this year.

Rohit Dokania: Okay and could you also talk about Phase-1 and 2 in the same line?

Manish Dawar: My expectation is that we should see may be about 10% type of increase. I think that's what we're going to try and attempt, but it's very difficult to give you a precise projection.

Rohit Dokania: Sure sir I understand. Last question from my side I know that you would not follow any guidance but could you speak about, you know, which year are you targeting the broadband break even?

Male Speaker: Actually, we have mentioned that earlier I think the course of this FY17, we should expect that.

Manish Dawar: Rohit if you see the broadband trajectory, I mean, two quarters before we were at about 18 crores loss, last quarter was I think 14-15, this quarter is 12 crores. We continue to push the numbers on the subscriber addition, so I mean this year we're expecting that we should be able to break even and be positive on broadband. I think that is on the assumption that we will continue to focus on Delhi because we're really want to establish the model, so that is on the assumption of Delhi being the predominant city as we are currently today.

Moderator: Thank you. The next question is from the line of Vivek Anand Subbaraman from Ambit Securities. Please go ahead.

Vivek Anand Subbaraman: Yes, thank you so much for the follow-up. On monetization in Phase-1 and 2 areas, one of your competitors spoke about a joint initiative taken by the three of you, the big three MSOs to achieve better collection and streamline dunning practices, can you detail this and specifically can you help us understand how many cities this initiative is effective in, what are you doing differently this time, that would be helpful. Thanks.

Pradeep Parameswaran: I think as you would have heard even in the past calls, there have been various industry collaboration type of effort that have gone on in different geography during different levers. My guidance is that this is a little bit of an ongoing thing especially as an industry becomes mature. In that process, there is a lot that needs to be done for the industry leaders to kind of come together to establish some common practices and that is an ongoing process typically for an cable industry for the size it is, it does take a little bit of time, so I ideally say that that collaboration is just part of a natural evolution process for our industry.

Vivek Anand Subbaraman: Okay, so you're saying this is not an extraordinary activity that is being undertaken. It is a normal course of business that is going on.

Pradeep Parameswaran: I don't think it will be normal course of business after a few year, but in the process, when we are going through this transition from analog to digital, I think it's quite a natural thing to do especially because there're also a number of issues that are also beyond collection that are very common to the industry whether it is related to regulation or taxation or things of that sort, so there is a good deal of collaboration between the companies on that.

Vivek Anand Subbaraman: Okay, so you're saying that the collaboration is not limited just to collection, it is also pertaining to other issues. Okay, got it. Sir, the other thing I wanted you talk about was the net content cost on a per subscriber basis, so I understand that the paying profile of consumers will be very different in Phase-1 and 2 versus Phase-3 and Phase-4 markets, so if you can give some color on how you include this geographic divergence of your subscriber base in the content deals that you have, is the net carry or net content cost per subscriber meaningfully lower for Phase-3 and 4 or is it similar, any thoughts on this regard will be appreciated.

Pradeep Parameswaran: All the deals are composite deals that cover all parts of the footprints, so we don't have separate numbers to report on different phases and different geographies.

Vivek Anand Subbaraman: Right, but I'm sure the math would take into account the geographies, is it not, so just wanted to understand how different is the out for you on content for Phase-3 versus say for Phase-1 and 2. I'm not looking at specific numbers if even the phases would be…

Pradeep Parameswaran: Directionally, what you said is exactly right. You should imagine that the content cost for Phase-3 market will be lower to start with of course.

Vivek Anand Subbaraman: Right, so you're saying that this leeway could continue for the next 2 years, is that fair assumption?

Pradeep Parameswaran: We can only tell you what we know for the duration of the contract that we have which covers 2 years.

Moderator: Thank you. The next question is from the line of Shankar P from Soaring Comm India Pvt Ltd. Please go ahead.

Shankar P: Sir, news regarding SITI taking over DEN was denied, are we a candidate of takeover? This is first question. Second question is when are we expecting planning to take steps regarding interconnect agreement to keenly look into it between MSO and LCO?

Manish Dawar: Okay, let me talk about the SITI deal first as you know we've denied in the past and we don't comment on speculative details or speculative reports, but I've been said that again all the companies including us, we operate in a dynamic environment. And in the normal course, the company explores all the possible strategic options including M&A or capital raise or anything else, which are fundamental point of view is that whatever we do should be accretive to the shareholders' value and wealth creation, so the company has something concrete lined up we will make the necessary disclosures to the stock changes and all of you and then we can discuss it at other relevant time.

Shankar P: Okay, the next question is regarding TRAI, sir. Do you have any idea when it is planning to force interconnect agreement between MSO and LCO?

Pradeep Parameswaran: Yes, so we actually have our interconnect agreements in place for a vast majority of our LCOs in Phase-1 and Phase-2. The purpose of Phase-3 as you know is relatively new and ongoing, but we already have that in place of Phase-1 and Phase-2.

Moderator: Thank you. We will take the next question from the line of Nihar Shah from Enam Holdings. Please go ahead.

Nihar Shah: Just one question from my side, I am not sure if you have answered it. Have you all started in the current quarter, which is the Q4 quarter, started realizing some revenues on subscription from Phase-3 areas, if so and what's the ARPU and can you give us some sort of outlook on the ARPU on the Phase-3 area going forward.

Pradeep Parameswaran: Yes, Nihar, short answer is we have started to realize revenue. We're not talking about how much yet I think we've just briefly answer this for the previous question, we expect that you know we will be roughly in the range of 50 plus taxes over the course of the year.

Moderator: Thank you. As there're no further questions from the participants, I now hand the conference over to the management for closing comments.

Manish Dawar: Okay, thank you very much to all of you for all the time and if any of you have any of the follow-up questions, please feel free to contact us, the contact details are available in the presentation. With that, you would like to close the call. Many thanks.

Moderator: Thank you. Ladies and gentlemen on behalf of DEN Networks, that concludes this conference. Thank you for joining us and you may now disconnect your lines.