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Conference Call Transcript

DEN Networks

Q3FY15 Results

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Corporate Participants

Mr. Sameer Manchanda
Chairman & Managing Director

Mr. M G Azhar
Executive Director

Mr. Pradeep Parameswaran
CEO

Mr. Manish Dawar
Group CFO

Mr. Rajesh Kaushall
CFO

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the DEN Networks Q3 FY'15 Earnings Conference Call hosted by Edelweiss Securities Limited. 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 presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*"then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alankar Garude from Edelweiss Securities. Thank you and over to you Sir!

Alankar Garude: Thanks Margaret. Good afternoon and a warm welcome to all participants. We at Edelweiss Securities are very pleased to host the Q3 FY'15 Earnings Conference Call of DEN Networks. From the management, we have with us Mr. Sameer Manchanda - Chairman & Managing Director, Mr. M. G. Azhar - Executive Director, Mr. Pradeep Parameswaran - CEO, Mr. Manish Dawar - Group CFO, and Mr. Rajesh Kaushall - CFO. Thanks to the management for this opportunity. Now, I would like to handover the call to the management for the opening remarks post which we will have the Q&A session. Thank you and over to you Sir!

Sameer Manchanda: Thank you for taking the time to attend the Q3 earning call. As stated earlier in the last quarter call, we have been very clear that DEN is in the process of transforming into a B2C company. The business environment which we were in earlier, which was a pure analog plug and play model to a digital model is very, very different. We see from our side what is it mean to be a B2C company, so it is not just a catchy phrase what is the thing that we are trying to build which can be of immense value to DEN. If I look at just from the cable point of view, the first thing is naturally build a very strong connect with the consumer. That is what B2C is, build a very strong connect with the consumer. Second is naturally it starts with MSOs with optic players like us getting a fair share of subscription revenues, which you were aware had not been coming. What basically digital mandate of the regulator or the government envisaged or the world which has moved, is very clear that you consume channels and content, pay what you like, and you now pay for whatever content you want to watch. So the analog model had like 60 or 70 channels. Now in a digital model, it can be 1000 channels, it can be as many channels, and we have seen in the US where with analog model in 80s and today the US has about 2000 to 3000 channels, so it explodes when it goes into digital. If you look at any developed market, you have tiering which comes in from a basic premium pay, free to air, lots of all the other models which come in, so I think that is where we are embarking on. We are very, very clear that we are embarking on to a complete B2C company, implementing packaging, and moving into a complete tier phase 3/4, and monetizing what we are doing. If I look at that these are the things that we are very clear what we want to build in a long run. The second is, again typically no rocket science, (cable companies have built very successful broadband and they have actually completely transformed the economics and they have done it. We have seen in the US, we have seen in Korea, we have seen in Japan, and we have seen in China the cable broadband if you look at it at the end of the day, 100 to 200 million homes, and it really changes the way as people consume content and media. So, we are very clear that cable is uniquely positioned to deliver world class broadband services to our millions of homes, and we can see the thrust right now with digital India, as India is moving to a complete digital phase. Thirdly, if you look it at from our side, again it allows us to do and see where the world has created value and growth, it allows us to take initiatives or channel like DEN Snapdeal. India is a unique country which is still growing as far as television homes. There has been world-over television growth in developed countries, television growth is not much more than the internet growth and internet penetration. India is still growing, selling 12 to 13 million TV sets a year right now and it is supposed to go up exponentially over the years as India's GDP and economy rises. We have seen successful home shop companies or TV commerce companies as we call it really do very well like the TVC, even in US, even when you have e-commerce like Amazon, TVC still does 11 to 12 billion dollar of sales. So television is naturally a way of also doing TV sales if you really look at it and this is what you can do in a digital environment, so initiatives like DEN Snapdeal have done well and we have started that, and we feel that that has also got a huge potential for growing as India grows. As we are moving into this phase, you would be aware that we have beefed up our management team to spearhead our transformation. I am very happy and honored to introduce Pradeep. Pradeep Parameswaran is the CEO of our company, comes in from McKinsey, double MBA. He has been heading the TMT practice of McKinsey Asia, years of experience. I would not go too much on the academic part, but I would just say that Pradeep is unknown to quite a few. Pradeep's association with DEN really started in 2013. He was helping the entire cable sector, helping in building good practices, and second is looking and spearheading of broadband. The good thing is he knows the company, we know him very well, and he has got years and years of experience, and I think this would be a great transformation as DEN continues in its drive of being a complete B2C company. Next is of course Manish, I think one of a rare pleasure to have an opportunity to introduce a professional of Manish stature. He is a veteran of company. If you look at it, he was from Unilever to Reebok, Reckitt and then the Vedanta group. His long experience of FMCG consumer companies we think would be invaluable to DEN. Joining them and meeting up lots of others, but we have Ramdoss a partner in McKinsey who has been a part of the TMT practice in McKinsey who has also been instrumental in helping the entire cable and broadband sector, he joins us as President of Broadband Strategy. We also have a strong, young, and existing team of experienced professionals. We are very, very sure that they would be driving the DEN growth and transformation story in the years to come. Before I turn to Rajesh to give you the financials, I would just like to give a brief saying on the cable and the other sectors of the last quarter. Cable, I would be happy to say that we are seeing green shoots , we were collecting about INR100 from Delhi and Calcutta, now and this has percolated down to DAS Phase 2 markets too, where net realization in December/January has gone to INR70. That is good and now we are implementing packages for the world cup, as world cup cricket being the driver. We are also seeing that the demand for phase III is picking up and we are speaking with the government regulator and the lines of phase III would be kept. The second is broadband, I think we just started by saying that the team has just come in with just one channel of broadband sales happening. We have done 17,500 sales. The good thing is INR750 was very, very strong output. I think it definitely means in a longer run healthier EBIDTA and healthier financials. So I think that is a great thing and I am sure the team would talk about in the next quarters on the broadband, so I will not go will not dwell too much on that. Let me get to football. I can understand and our foray into football was seen as marketing exercise for DEN moving into this transformation and I will make no bones about it. Our losses have been higher than what we had expected, but if I look at the highlights, it was the first year. The revenues were less and expenses were more, typical of a first year product, but if I look at whether football was a success financial wise, no, but otherwise in viewership than any other thing football was a success. I do not think anybody was expecting such viewership. The viewership of season 1 was 429 million. The opening match itself was 75 million, so it was 12 times the viewership of our world cup, second only to IPL which was 195 million. It has already become the fourth largest league trailing EPL, La Liga, and Bundesliga. It has already become the largest league in Asia, larger than Japan, China, and everywhere else. We have seen football clubs create value over three to five years, but I am just saying that on certain of these parameters it was a success. We have of course noted that with the expense and the losses, we are now looking at taking a very serious look at evaluating various options to address these concerns. Then I will just go to TV shop. I have been saying we were surprised with some start-ups on the downside and losses, we have been surprised completely on the upside on DEN Snapdeal. As you are aware that both the companies have only put in INR50mn each, I think INR70 or INR80mn still in the balance sheet, we have spent very little. We are now available in 19 million homes, which is our cables and also some other cable homes. We have already annualized GMV run rate of more than INR1000mn. If I look back at yesterday, it was even higher. So I think that has been phenomenal in the third month of doubly sales nearly after eight months. If I look at it, it has been a pleasant surprise for us. I think I have taken a long time, thank you for all your patience in listening to me. Now I will just hand over to Rajesh to walk you over our financials.

Rajesh Kaushall: Thank you Sameer. I will just walk you through the financials of the cable business. The key highlights of the cable business have been that subscription revenue net of LCO share has grown 18% Y-o-Y from 974mn to 1157mn. The LCO share accounted as expense earlier is now netted off from revenue this quarter. The second highlight is the operating revenue adjusted for activation revenue that has also grown 8.5% from INR 2220mn to 2420mn Y-o-Y. If we were to just give you a split of the revenues, the operating revenues are 2566mn, which comprises of subscription revenues of 1157mn, Placement revenue is also at 1156mn, Activation revenue is at 150mn, and other operating income is about 100mn. Essentially, subscription revenues and placement revenues have contributed equally to the operating revenue for this quarter and as Sameer stated earlier that we continue to transform from a placement-driven B2B business to a subscription driven B2C business. Actually if you look at the analysis, activation revenues were higher in the year ago so we had roughly 287mn versus 150mn this quarter. In this quarter, we have deployed 197,000 set-top boxes in the phase III and phase IV. The total deployed subbase of the set-top boxes is 6.8 million now. The placement revenue has declined marginally by about 1.9% on a Y-o-Y basis and content cost is almost static on a Q-o-Q at 1100mn. We continue to be having a surplus between the placement and the content cost. On the Q-o-Q essentially on the cable business, the operating revenues have been static and similarly the operating revenue with activation also has been roughly static. The EBITDA for this quarter is at 493mn vis-a-vis 542mn in the previous quarter, and the decline has been primarily on account of absorption of new infrastructure cost added due to expansion of phase III and phase III markets. The cable business operating margin is maintained at 19% Q-o-Q. If I was to give you a little color on the net realization in DAS phase I and II markets, the DAS phase I market has crossed INR100 per STB in net realization, and it is up from INR90 as exit rate in the previous quarter. The net realization in DAS phase II market has also shown a sharp increase from INR55 per box to INR70 per box, and some of the markets are in fact touching close to INR100 and others are expected to follow through. On the balance sheet item, the key updates are that the net worth of the company is 17.32bn. The debt is 10.01bn. The cost of debt is 7.1% on a blended basis. The cash and cash equivalent is 9570mn. We have already given the breakup of the consolidated revenues as part of the investor updates and we can probably take questions around that, but essentially as Sameer was explaining about the soccer league, which was the first season, essentially we have most of the seasonal cost of soccer coming into this quarter. So we can now probably move on to any questions.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use only handset while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question from the line of Gautami Desai from Chanakya Capital. Please go ahead.

Gautami Desai: Good afternoon. I have two questions, one is can you tell us like how is broadband going in terms of number of connections, another question is in phase II you said that you are collecting INR70, which could go even higher, so which are those cities is what I would like to know?

M. G. Azhar: Firstly on the broadband side, like we mentioned as part of the investor update as well, we are looking in excess of 250,000 home passes, the number is closer to 300,000 home passes plus. With active subbase of about 17,500, which is almost 75% increment to the last quarter based numbers that we had. As we talked, we have seen a complete management change, so we are trying to basically focus more on getting the right people at the right position, and basically walking through all the processes and driving the sales and convergence. This is going to be an ongoing process and my sense is after the next one or two months once the team is on ground and running, you would see a sharp increase in both home passes and active base, our overall expansion in terms of broadband.

Rajesh Kaushall: Essentially on the phase II markets, there are some markets in different towns where we have already touched INR100, so INR70 is actually a net of that.

Gautami Desai: Which are those cities actually, can I know some of the cities where this collection has gone up from 55 to 70 and then the further increase?

M. G. Azhar: Some cities in Rajasthan and some cities in Gujarat where we have seen this increase, and some cities in Maharashtra. We are present in close to about 20 odd cities as part of the phase II. There are at least 5 or 6 cities which are almost touching INR100.

Rajesh Kaushall: Just to add to Azhar, essentially the blended rate is INR70, but the collection range is different in markets, so in some of the markets we have actually touched INR100, I think that is the right way. I think the other cities should really catch up soon.

Gautami Desai: Okay, thanks.

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

Vikas Mantri: I missed out your breakup of revenues. Can you help me with that again, especially your subscription revenues on the consolidated side?

Rajesh Kaushall: I think it should be there in the investor update also, but I will just tell you and you can probably note it down. The subscription revenue is 1157mn. It is up by about 18% on a Y-o-Y basis.

Vikas Mantri: Why is it down sequentially?

Rajesh Kaushall: Essentially the LCO expense, which has been accounted as expense. It is only the net revenue which you can see now.

Vikas Mantri: Okay, this line item has been cut off from which portion of the operating expenses side?

Rajesh Kaushall: I think if you look at the filing to the stock exchanges, you will probably see an LCO share as an expense item there separately and you will see probably about 318mn in the corresponding previous quarter , which is now not there as part of this result.

Vikas Mantri: Okay, thanks for this. Some more questions, recently we have seen one of your peers talking about, even you are talking about gross billing now, if I remember earlier that was touted as to be a very important metric for the cable companies to achieve over a period of time and that should essentially start the moving of rightful cash flows to all the parties. Now, we have again gone back to more of net billing and no more pushing for gross billing as I may say, though retaining the consumer billing that is there, but still in the hands of the LCO. So more from the new management, if I were to say, what are the three to four process steps that we should identify for the industry, which we believe if were to happen and not go back on them then the industry is moving on the right direction because I essentially see this going back to net billing as a negative for the industry than a positive because taxation was a bigger issue and taxation in the hands of the MSO would have been a better factor?

M. G. Azhar: You have to see this as a part of the process. I think the larger question for us is whether we start getting our legitimate share of revenue from the LCO out of the existing ARPU on a sustainable basis. I think whether it is gross billing or net billing or we go through this whole process, the idea is only to get there. Having said that, it probably is an ideal situation where we do the complete consumer billing, we collect the entire money and give it back to the LCO and also looking at all the other tax sufficient mechanism as well. I think we as the industry are looking at this as a part of the process and the idea is first to drive LCOs to collect money on a per box basis, on a per package basis, and legitimately give our share of the revenues on a sustainable basis. I think that is the drive that we are on currently. Frankly we are seeing a lot of traction on that front. Once we get to a legitimate full sharing of the revenue and it is done on a sustainable basis, gross or net billing is just a matter of eventuality in my mind. Everybody was looking at gross billing as one of the key drivers for us to get the legitimate share of the revenue, but having said that the drive for legitimate share of revenue is already on and as an industry we are moving forward and those are clearly reflected in the ground collection from market-to-market and Q-o-Q. So the idea is to get the full legitimate share of revenue on a sustainable basis and continue with the package-base billing, and then effectively over a period of time to my mind it is going to be an eventuality once we have full sustainable and a stable ground in terms of revenue share.

Sameer Manchanda: Just to add to what Azhar has said and I am sure Pradeep, Manish, and everybody else would give you a detailed view in the next quarter, but I just want to say where the company is heading. If you look at it, we are the first one who actually went in and signed the Wipro, which is part of the company's B2C process. So, you will see us transforming the customer experience into a prepackage billing and everything else. So customers will have a lot of choice, and the important part is implementation of packages, customer seeing the packages, and paying as per the packages and we getting our fair share of revenue, which is described, which we know all what that is. I think you will see that and you will see us and the industry implementing a lot of these things over the next three or four months. If you look at the progresses, the first progress is collections going up, second progress is packaging, and you will see the others are actually selling at prepaid, postpaid, you will see all those kinds of initiatives in some time.

Vikas Mantri: Okay. Two questions if I have the choice, one is especially we are in a CapEx mode and in a growth mode for the cable business. While I agree that the Snapdeal initiative fits in to the overall picture, soccer looks like largely a diversion from what we are doing and not necessarily a good initiative to get visibility is the opinion per se, especially given the high amount of CapEx that we need in our primary business itself. Secondly, we have been as a company claiming to have never had any issues with the broadcaster in terms of a content cost per se and claimed as it has been positive. We have recently seen we are at least not in agreement with India Cast in the UP market is what a news, is it a good thing or a bad thing is what I wanted to know?

Sameer Manchanda: First of all, the words claimed and all are different. You got to look at actuals. A lot of people can claim. We have been existing for eight years and you can see the financials tell you, our content cost tell you, our carriage tells you, broadcaster relations tell you, we have never been to the regulator, TRAI, nobody has ever been. So these are fine, but I am not saying it is a good or a bad sign that you should not, as the environment changes you can have different of this thing. It is the position of strength, so if somebody does it not, I am not saying it is bad or good. If you look at a dish TV outside in the US, fights are on. I was there in the US when the fights were on. It was a typical thing when you keep on growing. So you will keep on hearing, whether it is good or bad that is a different thing, but both the parties do it, it is naturally a feeling that it is a matter of strength, but these are common things which will always happen. I am okay with any of these things. I am not saying enemy to the company because this is normal parliamentary. I have seen it in world and this happens for a period of four to six weeks, and then it settles down.

Vikas Mantri: I agree with you, I was worried when you were fighting earlier.

Sameer Manchanda: You should be happy.

Vikas Mantri: I am happy now because you are taking a strong stand, which shows your strength. Earlier I was worried why you were not doing that.

Sameer Manchanda: Do not be worried about the stand, the financial tells, because if you are getting the content at our cost and we are getting at the carriage costs, we are pretty happy. You can compare with other financials, it will tell you.

Vikas Mantri: On the soccer largely…

Sameer Manchanda: We told that we treated it as a marketing and our losses are far gone than we thought about. It is not a kind of diversion. It builds the brand, but naturally the losses we had it does not build it to that extent. So we are very clear that we still think we have created a value. It will be of value, now it is the matter will it be of value to a shareholder, we are looking at it completely. We have realized the sentiment and we are looking at various alternatives. We have got a full team on and we will look at alternatives. It is too early. We are very seriously taking a very, very hard look in evaluating models and respecting the concerns.

Vikas Mantri: Thank you Sir, I think I have taken more than my share.

Moderator: Thank you. The next question is from the line of Nirav Dalal from SBICap Securities. Please go ahead.

Nirav Dalal: Thanks for the opportunity. First I wanted to know whether the 70 that you talk are gross of tax or net of tax?

Rajesh Kaushall: This includes the tax also, essentially service tax.

Nirav Dalal: Okay, no entertainment tax, just service tax. Also I wanted to know when would we see the benefit of that percolating in our revenue, because if you see net of LCO Share our revenue is flat, and we are adding subscriber base, so when do you see the benefit of that coming in the revenues?

Rajesh Kaushall: I think you will continue to see the benefits in the future quarters. As we keep enhancing monetization in the markets, I think you should see the benefit coming in.

Nirav Dalal: In terms of the paying subscriber base, what would that be of the 6.8 million?

Rajesh Kaushall: I think roughly about 4.1 or 4.2.

Nirav Dalal: 4.1 or 4.2 would be the paying subscribers.

M. G. Azhar: As part of phase I and phase II, and obviously there will be subset of the balance numbers, where people would be paying a lesser amount of money, where we have gone and seeded the set top boxes in the market, and we are trying to collect INR20 and INR30.

Nirav Dalal: So what would be that number of the total revenue?

M. G. Azhar: Too little numbers. Like I said, we are working on that strategy and the effort is on. In some of the markets we are collecting some money. In some of the markets, we are trying to work with our clients.

Nirav Dalal: When do you see this 4.1 to 4.2 million growing up to say 5.5 million or 6 million, because we have been hearing this for the last three quarters?

M. G. Azhar: If you see, monetization happens post sunset dates. Phase I and phase II post sunset we started monetizing albeit at a smaller number, which gets sort of increasing over a period of time, and similar stuff is going to happen in phase III as well. The deadline is December '15, so post that you will see significant addition in paying from phase III market.

Nirav Dalal: Also I wanted your comments on the content cost now that the Star thing has been taken care of and I guess all details are there in place, so how do you see the content cost move for you?

M. G. Azhar: Last year we have guided 20% to 25% growth in overall numbers and we think we will probably be within that range. Going forward, we should be looking at between 10% and 15% kind of growth and actual reset of phase III and phase IV happens post digitization of those markets.

Nirav Dalal: Yes, that would be later on. In terms of placement fees, what do you see the outlook?

M. G. Azhar: Like we have been guiding, we are consistent with our visibility, which is our endeavor would be to try and protect the existing carriage number of about 4400 to 4500mn with a 5% to 10% kind of give or take.

Nirav Dalal: Okay, right Sir, I will come back if I have any queries.

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

Rohit Dokania: Hi Sir!, good afternoon, thank you for the opportunity, just two to three questions from my side. One would be on the packages post the Star impact. Have we launched the new packages and what is the acceptance level for the same?

Sameer Manchanda: The question is that basically with the world cup advent we just launched those. These are still being implemented. So it is pretty early on, I think you will get a clear clarity I think in the next few months, but they have been done.

Rohit Dokania: Okay, so I would presume that it would be pretty soon updated on the website as well.

Sameer Manchanda: Yes, absolutely.

Rohit Dokania: Sure, okay, that is fine. Second is just a clarification on the previous question. You said content cost increase of 10% to 15% that is excluding any phase III payouts right?

Sameer Manchanda: Phase III comes in only on March 16, so basically guiding for the next year.

Rohit Dokania: Okay, sure, I get that. Also Sameer now what we have you on the call, could you please throw your thoughts as to how does the whole Reliance JIO thing impacts the cable sector? I believe they have also applied for an MSO license because they seem to have a video business plan in place as well.

Sameer Manchanda: No clue actually really, if you ask me I think maybe too early, otherwise if you look at the US whether it is 4G and that kind of launch, everything had been complementary to the cable field, so especially in India where the landline is not there. I think the cable remains a good force, but it is a bit too early to say what it would be. The way I would look at it is I would feel it is going to be anyway a good house, big house coming, and probably would be favorable for the entire industry, but I do not know, too early, I really have no comments.

M. G. Azhar: Just to add what Sameer said. Our experience of running this business and building this business, I can tell you that building a last mile network is really, really big challenge. I have frankly not seen any real successes around it, so we will wait and see. It is too early to comment I guess.

Rohit Dokania: Sure, point taken. Lastly, if we have Pradeep in the call, if he could just share what his thoughts are in terms of what needs to be done incrementally from hereon because he has worked with us previously and seen the sector very closely. What incrementally needs to be done from here on to improve the collections on the ground probably at a company level or at the sector level?

M. G. Azhar: The new management team is just getting their hands around everything, give us a quarter for that. They are already working on the full plan and what needs to be done. So give us some time.

Rohit Dokania: Sure, thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Giriraj Ratan Daga from SKS Capital & Research. Please go ahead.

Giriraj Ratan Daga: I have a couple of questions. First I would like to understand what is the EBITDA for this quarter, you said the investor update is uploaded on the website. What is the EBITDA for the cable TV?

Rajesh Kaushall: EBITDA for cable TV is 493mn.

Giriraj Ratan Daga: Okay. What I would want to understand that if I look at the last quarter, we have shown a subscription only of 1050mn and there is no LCO share shown in the Q2. Now we are talking 18% growth, but if I look at it, the growth is about close to 10% or 11%, if I look at the growth to 1150mn, so where is the mismatch coming in?

Rajesh Kaushall: That is Y-o-Y number what we have said.

Giriraj Ratan Daga: I have combined that one, if I look at last Q3 especially, it is 1050mn of revenue.

Rajesh Kaushall: You just need to reduce the LCO share from that number, then the number actually becomes 97 and then you compare 97 with 115.

Giriraj Ratan Daga: Okay, the next question what I would like to understand is on the broadband side, now we are saying that majority of the companies like Hathway talk about or Siti Cable talk about, they are talking about 2 to 2.5 million subscribers over the next two to three years. Assuming that if we are doing about INR1500 CapEx per home pass and assuming 25% market share also you will have to do about like close to 8.5 million home pass. You still have CapEx of INR12bn. What I want to understand is that what is the bare minimum number you are working with ARPU on the broadband side which you will feel that okay, this will come and that will make our project better.

M. G. Azhar: Like I said, we have got new management team in place and we are filling in all the respective positions, so give us a quarter for us to come out with a full plan in terms of what our overall guidance would be in terms of number one pass, number of active plus, and what we intend to do with the broadband business.

Sameer Manchanda: Just to add to that, just to give you one actual thing is we are probably doing one of the very highest ARPUs, so we are very significantly in cognizance of that. Our ARPUs are INR750 today.

Giriraj Ratan Daga: I agree with you, I am not concerned about that.

Sameer Manchanda: I am just saying that, you know that, but just give us a quarter, as Azhar was having, you will probably get the whole plan in.

Giriraj Ratan Daga: Okay, thanks a lot.

Moderator: Thank you. The next question is from the line of Amitabh Sonthalia from SKS Capital & Research. Please go ahead.

Amitabh Sonthalia: Hi, concerning the new management team, my question was just to get a little bit of a sense of the thought process behind the key management changes that we made in the last few months, and if some insight if we could hear from the new CEO in terms of what excites him about this business? I know you mentioned that to wait a quarter while you lay out some of the plans, so just to get a bit of preview into what the thought process is for the new CEO and what lies ahead for the company from and what should we expect to hear from the new management team in the near future, some bit of hints would be very useful and helpful?

Sameer Manchanda: Thank you for your kind comments. I think we are getting the hints that the new teams cannot wait for a quarter they probably need to come back to you early, what I am saying is just give them some time and as I laid it out in the initial statement very clearly that we are transforming this company to a complete B2C company, and a complete B2C company we are saying transforming cable, transforming broadband, and many other sectors really towards consumer play. I think that is the whole idea and if I look at both people have done it, Manish as a CFO has done it and seen it with the multinationals in the FMCG space, whether it is Unilever whether it was Reebok or with Reckitt, and have seen in international, seen in domestic, seen in Asia. Pradeep has been doing that for living in the consulting side and pretty hands-on completely on the cable and broadband side. We will try and reduce the period of a quarter to even an early period to come back and the management coming and giving you complete visibility. I would just say that just give them a little bit more time.

Amitabh Sonthalia: Okay, thank you.

Moderator: Thank you. The next question is from the line of Shankar S. from Soaring Stocks and Commodities. Please go ahead.

Shankar S.: Thank you for the opportunity. I have a couple of questions to Mr. Sameer. What is our present customer base in digital and analog? Second one is what is the new added customer base number? Further, when can be expect the MIB giving instruction to start feeding set-top box. Have we given set-top box feeding details for third phase to MIB?

Sameer Manchanda: I will just look at your third part, but Azhar and Rajesh would give you all the numbers for the first and second. I think I get a feeling that we have already started working together as we did in the last post with the government and the regulator on the basis of implementing feeding phase I and phase II happened. We have started having these, we are having those meeting, so I would feel that give it a few months, you will have a pickup and you will have all those things which happened in the phase I and phase II, the complete direction and visibility. I think in a few months you will see that. Azhar if you could give the numbers.

M. G. Azhar: Our total subscriber base today is about 13 million homes. Out of 13 million homes, 6.8 million is our digital sub. Phase III and phase IV essentially we have close to about 8 million subs and the balance is on phase I and phase II.

Shankar S.: What is the newly added customer base from the past three months?

M. G. Azhar: For the past three months, on the digital side we have been adding close to 200,000 subs per quarter.

Shankar S.: Have we added any new customer base in third phase?

M. G. Azhar: As you would be aware that phase III and phase IV were dominated by small-time operators who do not have either the technology or the capital to go to digitization, so some of them are coming and aligning with us and that is an organic kind of growth that we are witnessing. There are no numbers around it, but having said that we keep getting more enquires and more people get added to our digital platform, even though they continue to run their analog business. For the digital footprint, they sort of align with us.

Shankar S.: By the completion of third and fourth phase, what would be our expected customer base if you can put some light on it?

M. G. Azhar: We have a sub base about 13 million, out of which more than 50% is already digital. So the idea is to convert all of them into digital software. Parallely we will look at some more subscribers and that is something that the new management team once they work on the complete plan we will be able to share the numbers, but I think the intent is to clearly digitize our existing sub base of 13 million, also parallely digitize more number of subs, but the actual numbers we will share maybe next quarter.

Shankar S.: Okay, thank you Sir!

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Alankar Garude for closing comments.

Alankar Garude: Thanks everyone for participating in this concall. A special thanks to the management for giving us this opportunity. Have a great day.

Moderator: Thank you. On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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