



“SITI Cable Network Limited
Conference Call”

May 31, 2013

**MANAGEMENT: MR. V D WADHWA
MR. SANJAY GOYAL
MR. SANJAY JINDAL**



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Moderator: Ladies and gentlemen good day and welcome to the Siti Cable Network Limited's fourth quarter and year ended March 31, 2013 Earnings Conference Call. We have with us joining today from Siti Cable Network are Mr. V D Wadhwa, CEO, Mr. Sanjay Goyal, CFO, Mr. Sanjay Jindal, CTO and Mr. Suresh Kumar, Company Secretary. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Sanjay Goyal. Thank you and over to you Sir.

Sanjay Goyal: Good morning ladies and gentlemen welcome to the conference call of Siti Cable Network Limited. This year happens to be a very good exciting year for us. The highlights includes the total revenue for the financial year March 2013 was close to 483 Crores as compared to 364 Crores last fiscal with a recorded growth of 33%. Similarly the consolidated EBITDA has grown by close to 353% to 87 Crores as compared to the negligible EBITDA last year of 19 Crores. Siti Cable during the financial year has consolidated its pan India presence through strategic expansion in various regions majorly into the Eastern, Western and the Central India regions. Own your customer happens to be the key integrator or key factor into this industry from siti cable this year. Own your customer a kind of application given to our business partner has been developed as an exclusive application given to the business partner to empower them.

Thank you very much now we are opening the session for the question and answer.

Moderator: Thank you very much Sir. We have the first question from the line of Sumeet Rohra from Silver Stallion. Please go ahead.

Sumeet Rohra: Sanjay excellent topline growth. I wanted to ask you a few things , as of now how many subscribers do we have. Secondly have analog signals been switched off in all phase II cities and if not then what is your thought process on that? What is the total amount of subscriber based we are aiming to get at by the end of phase II and what is your overall sense on the business and how do you see this going ahead?

V. D. Wadhwa: You have raised three questions. So first one I would like to say that in terms of the subscriber base we are close to 3 million at the end of the year and for the current year our plan is to grow it by more than 100% in the current fiscal year. As far as analog signals are concerned in all the cities analog signals have been switched off and that compliance has already been submitted to the ministry as well. What is your third question?



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- Sumeet Rohra:** So Sir I will just intervene you to ask you that as of now you are saying that as of March 31 we already at 3 million subscribers and by the end of FY'14 we can actually get to 6 million subscriber base is what you are saying?
- V. D. Wadhwa:** Exactly that is what I mean.
- Sumeet Rohra:** Excellent that is helpful and Sir my other question to you was that has all the analog signals been switched off for the Phase two which you said yes they have been switched off and what is your sense on ground level so how was to scene on ground level. So you are getting money from the LCOs? Is there any pressure on ground, so what is the actual reality on ground level going on right now Sir?
- Sanjay Goyal:** Consolidated understanding amongst the major digital cable player has already been arrived in order to acquire the major collection from the ground. means Phase I cities are getting stabilized in a phased manner. We have already started getting the collection majority of the collection for three, four months have already been deposited in and we are expecting our tiering based invoicing would start coming either may be in the month of June or latest from July. We have already announced the packages way back in all the towns. .
- Sumeet Rohra:** That is helpful Sir and Sir you are going ahead for Phase III because Phase III is also a pretty big market and it is about nearly 15 million subscribers. So are we present in any Phase III cities and so the 6 million would include Phase I, Phase II or some part of Phase III or Phase III could be a different segment Sir totally?
- Sanjay Goyal:** As of today we are present in close to over 60 cities in the country wherein we have a strategic presence. Out t of 60 cities 20 has already been covered in Phase I and Phase II towns so remaining 40 plus whatever the town we intend to expand as we are in expansion mode we will expand, we will add on to this 6 million, primarily includes some cities wherein we have expanded in Phase II plus certain cities wherein we have a monopolistic position in that Phase III towns.
- Sumeet Rohra:** Thanks so much and that is helpful I will come back to you.
- Moderator:** Thank you. We have the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Excellent set of numbers. My first question is on the revenue front if you could give us the split between carriage and subscription and the activation revenues?



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- Sanjay Goyal:** In fact the composition of the revenue wherein majority i.e. close to 65% of the total revenue was coming out of the carriage bandwidth charges which has reduced to 45% and close to 15%-20% comes out of our activation revenue and the balance comes out of the subscription revenue. Digital Subscription revenue itself has grown by close to 300% in this year.
- Abneesh Roy:** Sir that is a very sharp jump that would be largely second half?
- Sanjay Goyal:** Predominantly the digital revenue because of the DAS invoicing and the collection, which we have done in DAS Phase I cities and Phase II cities.
- Abneesh Roy:** Sir could you give us more details per sub how much is the collection now happening and from July when you will move to the package tier base pricing then how per sub will be the collection?
- Sanjay Goyal:** Abneesh, presently our ARPU in DAS Phase I town is close to Rs.104 or Rs.105 net of LCO revenue share. While we move on tiering for which we have already announced four packages, which includes the base pack of Rs.100 plus taxes, popular pack on 170 plus taxes, third one is 222 and fourth one is the larger pack is 267 plus taxes. Therefore, it depends up on the consumer and the subscriber, which package he wants to take on/opt in.
- V. D. Wadhwa:** But the weighted average I think our experience has been that the weighted average it would be some were around Rs.200 .
- Abneesh Roy:** Sir in that already you are saying you are at 104 in the DAS one so now if the weighted average is 175 so I do not see much of upside net of LCO if weighted average is 175?
- Sanjay Goyal:** Out of 175, 33% will be shared from net-net 57% will be shared on 113 directly comes to our kitty.
- Abneesh Roy:** So 33, is going to LCO?
- Sanjay Goyal:** That is true one-third of ARPU will go to LCO. The moment LCO grows the ARPU and he will be adding more benefit out of it.
- Abneesh Roy:** Sir in terms of the carriage sharing that is an innovation I think largely you are doing out of the other players. Second is how OYC is different from KYC?
- Sanjay Goyal:** OYC is a web based application, which we have provided to our business partner wherein they can log in by their user name and a password and can even access to their statement of account of all of their customer including knowing when they are expiring and they can upgrade, downgrade, activate, deactivate. So basically it is Own Your Customer concept wherein we have



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empowered our operator or a business partner for carrying out all the activities for their customer to whom they are servicing at their end rather than coming to the company or may be at the ultimate call centre

Abneesh Roy: So this will be for the LCO?

Sanjay Goyal: That is true.

Abneesh Roy: Sir in terms of billing how will the billing happen say after three, four months will it be through you, will it be in your name or will it be generated by the LCO some insights into that?

Sanjay Goyal: Presently also we are doing the invoicing on subscriber. We probably perhaps are the only digital cable company who is doing the invoicing on subscriber so I do not see that there will be any change in the billing pattern, the same will continue to be done by Siti Cable on their subscriber.

Abneesh Roy: Sir last question is on the e-tax and service tax so who is paying the e-tax now and who will be paying the service tax?

Sanjay Goyal: In DAS Phase I city position is very clear. Now effective April 1 entertainment tax is the liability of the MSO so under any eventuality it is going to be discharged by us and we have already started discharging the liability, service tax under all cases while you raise an invoice remains the liability of MSO since inception. Therefore, the position could remain identical. It will not change.

Abneesh Roy: So both the taxes will be for MSO only?

Sanjay Goyal: That is true but same shall be recovered from the subscriber, the consumer.

Abneesh Roy: This 104 ARPU, which you are saying is net of both these, taxes right?

Sanjay Goyal: No this includes the same net ARPU comes at Rs.75.

Abneesh Roy: So as of now out of the 104 you are knocking off just the e-tax?

Sanjay Goyal: E-tax is Rs.20 in Delhi. I have taken an example of Delhi wherein Rs.20 the e-tax and 12.36% is the service tax so 75 add on all these comes to 104.

Abneesh Roy: I will come if I have more. Congrats again. Thanks.



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- Moderator:** Thank you. We have the next question from the line of Atul Soni from Macquarie. Please go ahead.
- Atul Soni:** Good morning Sir. Sir I just like to know your debt level?
- Sanjay Goyal:** Gross debt today is close to 700 Crores and net debt is 570 Crores.
- Atul Soni:** Can you just give us some color on the promoter warrants and how that is going to impact these levels?
- Sanjay Goyal:** Our promoter warrants, one tranche has already come there was a total 18 months stipulation period which was given so three tranche remains to come and we are expecting that the same would come either in the quarter two or quarter three latest.
- Atul Soni:** Okay and do you expect what are the kind of peak debt levels that you expect for the company going forward and probably in a year, which is across?
- Sanjay Goyal:** I would not see any additional debt to be incurred on because while we will be getting somewhere close to 240 Crores from warrants and while we are realizing the activation recovery full from the market without any debtor creation in the books. I do not see that we will be requiring any additional debt, may be on a short-term debt for 30 days or 45 days on any eventuality otherwise no long-term debt are required.
- Atul Soni:** Okay and Sir the recent TRAI guidelines what is your view on them? I know that you are already offering the same on your website but going forward how do, you think this will impact the ground level reality?
- V. D. Wadhwa:** Actually the recent guideline where the consumer has been given the option to paying in installment. this we have been out this offer has always been available to the consumer for quite sometime but our own experience has been that the consumer is not biting into it. Consumer is not availing and some are not showing any interest in going further installment based system. So I do not think because since this offer has been there from our side to them for quite sometime i.e. Oct 2012, I do not think that now this recent notification of the guideline is going to change the pattern the way the consumer is going to behave.
- Atul Soni:** Sir in terms of your content cost how do you see that line item moving in the next year or two?
- V. D. Wadhwa:** I think going forward the content cost directionally marginally going to go up because it is with the digitalization regime with the content cost from the fixed cost fee basis is moving to the per subscriber cost basis and the carriage revenue while the overall base will go up the revenue



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model will go up but the credit cost in terms of the percentage probably will come down but in the absolute value credit cost also shall go up.

Atul Soni: Any ballpark figure that you are talking about in terms of broadcaster share that, I mean so currently if I understand everything is still on a fixed basis of broadcasters but this will move to a per sub basis as the towns get as more number emerge?

V. D. Wadhwa: Presently it is a mix of fixed and CPS supposedly on the complete digitization if it is switched over to CPS mechanism the content cost would not be more than 30%- 31% of the SMS ARPU.

Atul Soni: Sir that is all from my side thanks a lot.

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

Mayur Gathani: Good morning everyone. Sir regarding billing to consumers if you are billing consumer's means you have received all the data from LCOs or there is still some data receivable from them?

Sanjay Goyal: Mayur we have some primary data available with us and then we have the traceable STB married to VC card available with us, which have been added into ZT system and/or in OYC system we have devised for ourselves. So from that perspective we are raising every invoice on the subscriber and we are in a position i.e. supposedly any subscriber does not pay to us, to deactivate or dune the subscriber on the account of nonpayment or non-receipt of the payment.

Mayur Gathani: Okay great, Sir what would be STB inventory currently set top box inventory?

Sanjay Goyal: Inventory is somewhere close to 300000 and somewhere close to 600000-700000 is in pipeline. In addition to the same order is their, which would be dispatched as and when required so inventory, stocks etc., is not a problem that the reason why we are looking for an aggressive plan during this year.

Mayur Gathani: Sir sharing ratio you have mentioned 33% to LCO. I thought this was little higher than that or it is around these levels only?

Sanjay Goyal: It is 33.33%. While will is that doing the invoicing on a tiering or a package base it will be 33.33% of the SMS ARPU, besides which we are offering our carriage revenue sharing attraction also for the business partner wherein we are sharing 25% of the carriage revenue with LCO

Mayur Gathani: That is plus this?



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- Sanjay Goyal:** Yes.
- Mayur Gathani:** And Sir how many set top box have you seeded in like quarter four?
- Sanjay Goyal:** It is somewhere close to 800000 boxes, which we have seeded in quarter four.
- Mayur Gathani:** How is April and May be in with the Phase II thing happening?
- Sanjay Goyal:** I think it is grooming up an exact number probably perhaps from May I cannot share with you but April we have seeded close to 300000 boxes.
- Mayur Gathani:** Okay and this 175 ARPU you are seeing it is net of taxes?
- Sanjay Goyal:** No, it is 170 net of taxes.
- Mayur Gathani:** So that is plus the entertainment plus service tax?
- Sanjay Goyal:** Absolute.
- Mayur Gathani:** Sir what is your auction for Phase III and Phase IV what is it market you are looking for except the FY'14 you will do 6 million so post that Phase III and Phase IV comes in what is the market that we look at that point of time?
- Sanjay Goyal:** See currently in the Phase III cities our subscriber base is close to about 5 million and right now the Phase III as per the government mandatory guideline will be ended up for digitization by September 2014 but what we are doing currently is to Digitize the adjoining cities to other phase 1 and 2 cities without waiting for for the government notification deadlines to come in. We have been very proactive and have been expanding taking our signals to those cities and we have been penetrating into those markets as well, but to be clear the large part of the Phase III expansion will take place in the next fiscal not so much into the current fiscal wherever I think because of geographical reason it makes sense we will do that and you can safely take that out of the 5 million current sub-base in the Phase III cities I think majority of the subscribers will be added into the next fiscal year. So the current year expansion of 3 million will be largely into the Phase I, Phase II cities only.
- Mayur Gathani:** So if I get the math correct the 6 million by FY'14 and if I takes 5 million for Phase III is at least 3 million would come in, in FY'15 such 9 million subscribers by FY'15, 9 or 10 million?
- Sanjay Goyal:** Mayur what we are anticipating we are already sitting on 3 million plus. 3 million could be added in this current fiscal of the 2014. This 3 million majorly will be seeded in DAS Phase II town on



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primary expansion in Phase I but that includes some counts of monopolistic phase 3 areas also .meaning thereby. We anticipate in 2015 will be close to 8 million or 8 million plus kind of subscriber basis.

- Mayur Gathani:** Thank you and all the very best.
- Moderator:** Thank you. We have the next question from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead.
- Hiren Dasani:** Thank you Sir. Just a few data points you had 2 million subs if I am not wrong at the end of December that number is close to 3 million now is that correct?
- Sanjay Goyal:** That is true.
- Hiren Dasani:** Of this three what would be Phase I and Phase II?
- Sanjay Goyal:** Out of 3 million Phase I, is close to 2 million and 1 million is in Phase II.
- Hiren Dasani:** So then effectively you would have seeded about 1 million boxes in Q4?
- Sanjay Goyal:** It is close to 800000-850000 boxes. We were having 2.15mn Nos in December.
- Hiren Dasani:** Okay, so 800000 - 850000 you seeded?
- Sanjay Goyal:** Of course we are having 3 million plus and we intent to seed another 3 million in the financial year.
- Hiren Dasani:** Sure and of the 2.15 what would have been the breakup of Phase I, Phase II?
- Sanjay Goyal:** 2.15 is majority 1.9 was coming out of Phase I basically and majority from Kolkata.
- Hiren Dasani:** That came, majority from Kolkata 1.9 majority from Kolkata?
- Sanjay Goyal:** Yes, out of 1.9.
- Hiren Dasani:** Now on the revenues for the quarter, so you said about Rs.104 is the net ARPU, which you have realized net of LCO share?
- Sanjay Goyal:** Net of LCO revenue share.



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- Hiren Dasani:** Is that the revenue, which you have booked for the quarter?
- Sanjay Goyal:** It is Rs.75 plus taxes so eventually 75 will be booked into the books because until of last month let us say March it was Rs.85 which we have upgraded or which we have uplifted only in the month of April.
- Hiren Dasani:** So if I do $2.15 \times 75 \times 3$ roughly about 48 Crores is what you would have booked during the quarter?
- Sanjay Goyal:** Not necessarily. It is close to 40 Crores. Since in Kolkata the billing happens bit delayed and happens only in the month of February. .
- Hiren Dasani:** So close to 40 Crores would have been the subscription revenue, which would have been booked?
- Sanjay Goyal:** Yes, that is digital subscription revenue.
- Hiren Dasani:** 850000 set top boxes what would be the realization on that Sir, which would have been booked at the rental or the activation revenue?
- Sanjay Goyal:** The STB activation the average realization comes from the close to 700 plus.
- Hiren Dasani:** So that is about another 60 odd Crores for the quarter?
- Sanjay Goyal:** Yes.
- Hiren Dasani:** The rest of it would be largely carriage?
- Sanjay Goyal:** Yes, that is true.
- Hiren Dasani:** On the 40 Crores is the collection or 40 Crores is the revenue booking?
- Sanjay Goyal:** These are revenue booked out of which 60%-70% has been collected.
- Hiren Dasani:** If we have to look at let say June quarter when you are ending the March at 3 million sub so would the June quarter be like $3 \text{ million} \times 104 \times 3$ that would be the subscript?
- Sanjay Goyal:** No not necessarily because 3 million includes the UP and the rest of the towns where in the digitization have yet to be completedso depends upon the market dynamics and how competition



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behaves in digital cable space for that market DAS invoicing would be done so it could be 104 - it could be more than that and less than that..

Hiren Dasani: Sure and when you say 70% collection for the 40 Crores revenue booking does that mean that you have close to 100% collection for let say the first two months and the receivables are for the last month?

Sanjay Goyal: Yes that is true it is predominantly and mainly the collection for the month of March I see which is pending.

Hiren Dasani: Collection for the month of March is pending?

Sanjay Goyal: Majorly.

Hiren Dasani: Okay and on the 120 Crores of the other opex, which is there in the P&L statement what would be the content cost?

Sanjay Goyal: In fact I can give you a broad idea how the cost composition comes out. Out of the total let us say at a scale of 100, operational costs which happens to be close to 70% earlier became 71% personal cost remained identical despite the fact that we have expanded in Central India region and in various other digital cities. Admin cost has come down and the selling cost continues to be at the same level so not much of significance except the impact of DAS and central India region expansion wherein we have expanded in the five cities.

Hiren Dasani: The operational cost would be 71% is largely the content right?

Sanjay Goyal: Out of 70% it includes two components and it is the distribution cost because we have agreed to share revenue with distributor in SMS and Carriage. So 5% of the SMS ARPU that needs to be shared with the distributors that also includes in operational cost plus the carriage revenue sharing and the salary, which we have agreed to pay besides the content cost

Hiren Dasani: Okay, so carriage revenue share, SMS ARPU 5% to the distributors and content cost that is all part?

Sanjay Goyal: and some cost of STB Sold, which have been outright sold

Hiren Dasani: That is fine and the debt today is about 800 Crores on the consol basis as of March?

Sanjay Goyal: Yes, it is 700 Crores on a consolidated basis. The gross debt is 700 Crores net debt is somewhere close to 570 Crores.



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- Hiren Dasani:** Sir the statement of assets and liabilities shows about 778 Crores long-term borrowing?
- Sanjay Goyal:** It includes certain other component of Debt too, which have also been loaded in compliance of accounting standards. It is not the debt directly basically which is required as per the revised schedule six.
- Hiren Dasani:** Okay and lastly what is the capex per sub STB cost coming to us now?
- Sanjay Goyal:** Again close to Rs.1500.
- Hiren Dasani:** Our effective realization is about Rs.600?
- Sanjay Goyal:** Rs.700, majorly now we have started, we have changed the realization level wherein we are realizing 889 plus taxes or close to 999 we are realizing, but if you talk of last year it was Rs.700.
- Hiren Dasani:** Is there any broadband subscriber ARPU realization revenue whatever it is in the quarter?
- Sanjay Jindal:** Yes, we have around 25000 subscribers in East India as of now. We have got some in Bangalore also put together and we have also started using latest technologies, which is the Ethernet on cable and GPON type of a thing where we want to put the customer with two way and also in due course of time realize on triple play and we are in this year we will be taking up some other metros also for our broadband system.
- V. D. Wadhwa:** In fact we have done east on test case basis of broadband in order to stabilize whatever the process would we have, whatever the packaging we have now we will be intending to expand this broadband so far across the country perhaps starting from DAS base and in the high ARPU or high potential areas.
- Hiren Dasani:** Great thank you very much.
- Moderator:** Thank you. We have the next question from the line of Senthil Nathan from Sundaram Mutual Fund. Please go ahead.
- Senthil Nathan:** Good morning Sir. Sir this net of ARPU you have mentioned that net of taxes we are making an ARPU 170 to 175 and we are actually realizing only 75 so we are sharing almost 55% with LCO is that correct understanding?
- Sanjay Goyal:** No in fact Senthil, 75 does not include the LCO revenue share so if you see Rs.170 as ARPU which have Rs.57 towards the LCO revenue share, meaning thereby if you add 57 and 75 automatically becomes 132 or 135. So I do not see any stress and challenge on 170 because once



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the tiering or the package based invoicing will be started on the subscriber at 170, the base pack, which we are offering to the subscriber while they opt for any single pay channel into their goods.

Senthil Nathan: Okay, so the current ARPU you are saying is more than the region of Rs.130 to Rs.140?

Sanjay Goyal: Rs.135-140 yes.

Senthil Nathan: Sir I did not understand that SMS revenue what is that you are sharing with the LCO?

Sanjay Goyal: That is ground revenue basically being collected from subscriber the distributor/LCO is the SMS revenue wherein in digital regime we are agree to share 33.33% with the LCO and a 5% with the distributor.

Senthil Nathan: How much would that be Sir per subscriber?

Sanjay Goyal: On a blended ARPU of Rs 170, it is Rs.57 will be for LCO and close to Rs.9 will be for the distributor.

Senthil Nathan: Thank you.

Moderator: Thank you. We have the next question from the line of Anand Kumar from DSP Merrill Lynch. Please go ahead.

Anand Kumar: Thank you Sir. Congratulations for a good set of numbers. Just one minor point you said that you have started invoicing the consumers so the billings are sent directly to the consumers or is it still routed through the LCOs?

Sanjay Goyal: In fact since we have already shared that we have empowered our LCO with OYC by giving base login or web based software wherein they can login and they can generate everything for their subscriber so we have done the invoicing on subscriber send a communication to the LCOs and subscriber across the levels and the invoice eventually, because the LCO is operating as a collection cum service agent for us, invoice are to be distributed by the LCO because they collect subscription from the subscriber we normally do not collect directly from the subscriber.

Anand Kumar: Sir just on this content cost once again since you are going to add significantly in the digital environment so from 3 million you are going to 6 million. So in terms of next years content cost how much broadly can you say that how much increase can we see in the content cost?



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- V. D. Wadhwa:** While there will be a complete shift in understanding on the content cost but presently we are operating in a mix of fix deal plus CPS and in the complete digitization the same is going to be in the CPS methodology I see that while we move on CPS methodology cost will not increase more than 10% to 15%.
- Anand Kumar:** Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Vikas Mantri from ICICI Securities. Please go ahead.
- Vikas Mantri:** Good morning Sir. I just wanted to understand this ARPU function more clearly. You said that you get Rs.104- Rs.105 from the LCO and you pay the entertainment tax and service tax, which leads you to Rs.75 so I am assuming Rs.20, is the entertainment tax and Rs.9 is the service tax. So first question is do we pay service tax only on our portion and does the LCO pay for the remaining portion and is Rs.170 ARPU as a cost to consumer or it is actually our net ARPU because if then we have tax since we done then that is not the right number?
- Sanjay Goyal:** Vikas, today the invoicing has been done at Rs.75 as the basic billing price on subscriber. So we being Siti Cable are charging and discharging Rs.9 being the liability of service tax. Rs.20 the entertainment tax, which is also being deposited by us, because the government has casted obligation on us so effectively while I collect Rs.104 from the subscriber Rs.75 only comes to me and rest the asset liability kind of management for revenue law compliances. 170 is the tier ARPU which would be the net of tax and then service tax will be added on Rs.170, Rs.20 entertainment tax price in the case of Delhi would be added so it will may somewhere close to Rs.210- Rs.211 for that matter to subscriber.
- Vikas Mantri:** Sir but as of now the customer gets a bill of how much and what is that service tax because if you are giving a bill of only Rs.75 and that is what the LCO is transferring it forward does the consumer get a bill of 170 or he gets a bill of 75?
- Sanjay Goyal:** Consumer is getting an invoice from us of 75 plus taxes but eventually I see consumer awareness is bit lower in the country so people normally does not ask for the invoice and they might be paying of higher too. That is the reason why we are insisting or impacting upon, on package base, or tier base invoicing as soon as possible and may be in the month of June we might take that as a challenge.
- Vikas Mantri:** Okay Sir in terms of SAF form collection how much of our universe do we now have MIS SAF forms ready and we can control our subscriber from our end and we know the packaging?



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- Sanjay Goyal:** We have 100% control on subscriber. Supposedly any subscriber does not pay me for any month I can turn or I can deactivate at any point of time because the invoices are directly raised on the subscriber by their name and STB and the VC number so I have 100% control on subscriber that is one. Number two in terms of care form we are in the process of completion of that formality substantial part of the formality has been completed. I understand close to 45%, 50% has already been done and we are in the process of getting it completed because we have been tasked for ourselves that we should complete it as soon as possible in order to effectively implement the packaging or tier based ARPU mechanism.
- Vikas Mantri:** In this 45%, 50% you also know what are the packages they have selected or that selection will happen later?
- V. D. Wadhwa:** That is true
- Vikas Mantri:** Okay, and all of them, can you give us what is the range of packages are in the low-end packages for the medium?
- Sanjay Goyal:** Plenty of them are subscriber opted for Rs 170, which is a popular pack, i.e. pack at entry level if any subscriber opted even for a single pay channel.
- V. D. Wadhwa:** Close to 87%, 88% of the people are in that base package.
- Vikas Mantri:** Sir just a comparison with your peer set, we had numbers coming in from your peers also some how they instead of saying in Delhi they are collecting only Rs.65 as against your Rs.75 so and this is without sharing anything with the MSO as carriage fee so will with sharing is your numbers equal or similar?
- Sanjay Goyal :** No in fact in terms of sharing we may be better positioned than them and in terms of discipline in collection also we are better placed than competing peers, because we follow the strict governance as well as we have provided empowerment that called OYC to the LCO etc., so we are better placed in terms of collection as compared to them.
- Vikas Mantri:** Okay but you do not see a risk of later giving on credit notes?
- V. D. Wadhwa:** No, we do not see perhaps we have not accounted for in this quarter also any such credit notes..
- Vikas Mantri:** Sir do you have any broadband or Internet subscriber right now?
- V. D Wadhwa:** As a first marketing we have started in Kolkata. There is about 25000 to 30000 sub based. The whole idea was that we will experiment in the number one market in the country and thereafter



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we will rollover that plan to the rest of the major cities in the country. So the whole idea is and I think from the second quarter onwards and until the end of the year we plan to take it to all the top cities across the country.

- Vikas Mantri:** Okay and Sir in terms of realization if from Phase I and Phase II markets largely Phase I if we are getting Rs.75 will we get a lesser number from Phase II and Phase III markets?
- V. D. Wadhwa:** No way because what we are getting is that the base pack level and neither us nor any of our competitor is offering anything on a base level so it cannot be lower than this if at all anything else we have to happen extremely only higher.
- Sanjay Goyal:** Not necessarily Vikas if you compare some of the Phase II market like Bangalore and Hyderabad wherein you see all the STBs have been activated at 999 whereas in way back in Delhi and Mumbai kind of markets, which falls in DAS Phase I market the activation charges happen to be 699 only. So some of the market in Phase II is better placed as compared to the Phase I market.
- Vikas Mantri:** Thank you so much and best of luck.
- Moderator:** Thank you. We have the next question from the line of Himanshu Shah from HDFC Securities. Please go ahead.
- Himanshu Shah:** Thanks. Just in our balance sheet our standalone debtors are much higher at 167 Crores versus consolidators net in 96 Crores at end of FY'13 so why it is so that consolidate is less than standalone?
- Sanjay Goyal:** In fact because we also operate in Kolkata through subsidiary and in some other part of the country we are operating through subsidiaries to which the STB have been provided, by the parent company so that is the reason those have been knocked off.
- Himanshu Shah:** Thanks Sir that is it.
- Moderator:** Thank you. The next question is from the line of Anirudh Kekatpure from JM Financial. Please go ahead.
- Anirudh Kekatpure:** Good morning gentlemen. Hi Sanjay. Couple of questions Sanjay you said that you will be launching your packages from July. Does that mean that you expect your entire subscriber mapping even in DAS II markets to get over by July or is it only for DAS I?



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Sanjay Goyal: Yes that primarily talks about the DAS Phase I though we have started the subscriber mapping in Phase II town also because packages have already been released therein Phase II market too and that will take another 30 to 45 days time in phase 2 market to fully stabilise

Anirudh Kekatpure: So by September the entire subscriber mapping will be done?

Sanjay Goyal: Yes that is true. That is the plan.

Anirudh Kekatpure: When do we expect the DAS II entire DAS II markets to begin by when should you be begin to monetize them?

V. D. Wadhwa: As of now we are from the DAS I is that it takes 5 to 6 months time for any market to stabilize. So we are keeping our fingers crossed and we just through a monitoring the movement at the ground level. I think in the DAS II market also probably it takes on the outer side it should not take more than six months, that is what has been our experience.

Anirudh Kekatpure: But since DAS II is larger do you think because the DAS I itself just the three cities have taken this thing even all other market will also you will be able to monetize them within six months?

V. D. Wadhwa: See what happens is whenever you start any new methodology everybody is new, everybody is trying to gear up to the new technology and the new system so I think the first time it takes much longer so I would say that it is regardless or whether it was three cities or more than that the initial experimentation always takes much longer and when you are moving, everybody has been adjusted their process in the system so next time it happens at a much faster pace.

Anirudh Kekatpure: True and how are you expanding into the newer markets that you are entering are you buying out MSOs or LCOs how is the method?

V. D. Wadhwa: We are not followed a fixed formula right now. Our entire approach is that wherever we have the analog subscriber base for the Siti Cable, which is our core we are converting them into digital number one. The second thing is wherever I think we are keen to get into the joint venture agreements and to expand our business and as part of the strategy, we follow two prone strategy that wherever we are already strong, consolidate further when dominate those some hold, and then get into the newer cities. So there is no one formula there is a mixed approach, which is applicable to different cities like we dominate in the eastern part of the country and we are the major player in the north part but we are relatively weak in the western part so our strategy investment part is slightly different and we are not against the acquisition per se but right now I think in the digitization regime rather than acquisition I think there are enough scope in any markets to go and expand.



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- Anirudh Kekatpure:** Lastly you have spoken in past about eventually move into a prepaid model. When do you think this is possible if at all? Sanjay my last question was in the past you have spoken about moving to a prepaid model like the DTH when do you think this is possible?
- V. D. Wadhwa:** We are gearing up for that. At this stage we expect by Q3 we should be able to start the prepaid model.
- Anirudh Kekatpure:** By Q3?
- V. D. Wadhwa:** By Q3 we should be in a position to begin and by the time it will stabilize. I think towards by the end of the Q4 and may be beginning of Q1 of next year we should be able to see the stability.
- Anirudh Kekatpure:** If you could just elaborate and explain how this will be operational?
- Sanjay Goyal:** Anirudh, in fact what is going to happen into this model this would be a kind of virtual prepaid or virtual credit kind of model because TRAI mandated us to follow the postpaid as well as the prepaid model so into this model our credit or a virtual credit will be offered to LCO or may be the business partner or distributors depending up on the kind of the STB deployment with the collection trends etc., then as and when they will put in the money automatically their account will be upgraded like our DTH business and this is how the model will work and supposedly the subscriber does not pay to us, he will be automatically dune or may be dune at the desire / discretion of the LCO but everything would be operated out of the system.
- Anirudh Kekatpure:** Is that Own Your Customer a step in that direction?
- V. D. Wadhwa:** Yes that is true.
- Sanjay Goyal:** That is the primary step one, which we have taken towards that.
- Anirudh Kekatpure:** That is helpful. Thanks Sanjay.
- Moderator:** Thank you. We have the next question from the line of Rohit Dokania from Batlivala & Karani Securities. Please go ahead.
- Rohit Dokania:** Good afternoon. Thank you for the opportunity, just two quick questions. Could you please confirm us to how the carriage revenues has moved in FY'13 over FY'12 is it flat or as it grown or has it fallen?



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- Sanjay Goyal:** There is a marginal degrowth in March 13 versus March 12 but it is not inline with what industry was anticipating. Since beginning we are maintaining that there will be a degrowth in the carriage but not be more than 5% to 10% so it is falling within that range only.
- Rohit Dokania:** Do you expect this kind of a trend to probably follow in FY'14 as well?
- Sanjay Goyal:** Yes I see that trend will continue to be followed but what happens on a channel-to-channel basis the carriage may go down but with the broadening of the spectrum available absolute numbers will be either identical or bigger than existing one.
- Rohit Dokania:** Sir the other question was on the collections. So when do you think for Phase I subscribers we could probably or will this ever happens we will move to the gross collection kind of a basis so what have been the gross collection?
- Sanjay Goyal:** On Implementation of the tiering base / package base Invoicing.
- Rohit Dokania:** Yes Sir let say if the ARPU is 220 will it every happened when the MSO will collect 220 and then give back the Rs.57 or whatever we have decided to the LCO?
- Sanjay Goyal:** I understand that will start happening from the next quarter.
- Rohit Dokania:** That should, and sir is there any TDS impact that it is better if the MSO collects the gross number rather than the LCO?
- Sanjay Goyal:** That perhaps should be the only challenge while we start doing the package based invoicing for STB, we are working for solution on its impact.
- Rohit Dokania:** Sir could you please explain that I am sorry I am not aware about that?
- Sanjay Goyal:** While we will start doing invoice even 170 plus taxes supposedly we will take a case of Delhi it comes somewhere close to Rs.211. If the LCO collects 211 and deposit with us, service tax eventually is a liability to be discharged by us and ET is that the liability to be discharge by us which will be discharged in due course but while we will be paying them the revenue share we would be required to deduct tax at source on them for which perhaps the business partners/ operator, are not in the habit of getting such kind of deduction for which tax refund claim is required to be filed hence it could be one of the aspect which we need to understand how to address that.
- Rohit Dokania:** But do you think that should be pretty much addressable by the next quarter onwards?



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- Sanjay Goyal:** Yes, that will larger interest to the business be it MSO or be it to the LCO for that matter, because the moment we will be getting more ARPU, LCO contribution or their revenue pie will also be increased with the same.
- Rohit Dokania:** Sure and Sir just one probably connected question. Do you think or are you hearing whether the government would come back to you in terms of some sort of a retrospective entertainment tax or service tax with that you had put in the boxes since let us say October, November that you were just started paying let say beginning April?
- Sanjay Goyal:** I do not see. if you refer to the DAS Phase I cities wherein Kolkata the tax is already on the MSO which we are discharging since beginning. In Delhi and Mumbai since the government issued the notification wherein they have casted the obligation on LCO's till March 31, 2013. .
- Rohit Dokania:** Thanks a lot Sir and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ankur Rudra from Ambit Capital. Please go ahead.
- Ankur Rudra:** Thanks. Sir could you clarify that you mentioned you are invoicing around 75 for Kolkata is that the same for Delhi or is there some difference?
- Sanjay Goyal:** Yes, it is identical. 75 is the base price then add up towards taxes depending up on the locations. service tax would remain identical on 75 then you have to add up the entertainment tax which is Rs.20 in case of Delhi, 45 in Mumbai and like Rs.10 there in Kolkata.
- Ankur Rudra:** Fair enough. Sir given that your structure of incentive I think the LCO is a bit different from your peers how does your average per sub payout LCOs differ?
- Sanjay Goyal:** In digital cable space that varies from MSO to MSO some of them are offering 40% or some of they are offering fixed revenue share. To our case if you take our average blended carriage ARPU of let's say Rs.50, Rs.13 will be shared out of the carriage and Rs.57 on blended ARPU of SMS of 170 will be shared with LCOs so net-net we will be getting Rs.70 per month, per subscriber from us.
- Ankur Rudra:** Okay and you see this across all the phases?
- Sanjay Goyal:** Yes that is true. Similar policy is being adopted and designed and announced across the cities or across the phase.



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Ankur Rudra: Fair enough, then on the carriage side you have mentioned that you saw a little bit of decline on carriage this year but you are a bit more optimistic that given more channels would be added to the system. This will go up. If I look at carriage with the mind of how content costs are also varying? How does your spread change in terms of carriage minus content cost this year and what do you expect for next year?

Sanjay Goyal: See there will be a paradigm shift in the understanding the carriage concept now in digital regime. Earlier carriage happened to be offset/realtime component with the content. Now the content cost is a variable component or a variable factor computed relative to SMS ARPU because the business is going to be majorly a SMS driven business. So there remains no correlation between content and carriage in the future times. Number two majority of the FTA channels are also converting them into pay channel with their affiliate in any pay bouquet which will also lead to a situation wherein there will be no correlation between the carriage and content.

Ankur Rudra: In terms of your currently negotiated rates what proportion are on fixed versus per sub and how long as the fixed could you said that everything will move to per sub?

Sanjay Goyal: I can share that in terms of SMS ARPU, content cost to us is coming somewhere close to 28%-29% in DAS cities, which eventually with the complete migration on DAS would be somewhere close to 30%-, 31% at the most, since DTH is also having 31%, 32% of the SMS ARPU.

Ankur Rudra: From 28%- 29% to 31%?

Sanjay Goyal: As the most we see.

Ankur Rudra: Okay, Sir just finally in terms of given we have almost close to end of Phase II what is the churn you saw to DTH and in the industry what do you estimate the relative market share between MSO?

Sanjay Goyal: Digital regime or digital cable has yet to be stabilized in both the Phases. This will only be determined and comes to know when you start raising invoices on the basis of package subscription by the consumer. So perhaps it is something bit a preempt earlier asked query which would be ascertained once the DAS is being stabilized in any particular Cities.

Ankur Rudra: Finally Sir for capex for next year beyond the 3 million boxes and I guess the price is around 1500 how much else would you be looking to spend on broadband and other initiatives?

V. D. Wadhwa: I think in addition to that there will be a spend of roughly about close to Rs.50 to Rs.60 Crores on the technological upgradation because we are upgrading our technical infrastructure in the couple



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of location so overall capex put together you can say beside the set top box net of recovery and then other close to so roughly I think it will be between 200 an 250 Crores.

- Ankur Rudra:** This consol?
- Sanjay Goyal:** Yes this is at consolidated level, but net of STB recovery.
- Ankur Rudra:** Thanks a lot Sir and best of luck.
- Moderator:** Thank you. We have the next follow up question from the line of Senthil Nathan from Sundaram Mutual Fund. Please go ahead.
- Senthil Nathan:** Thank you for the opportunity Sir. I just wanted to understand why there is a significant increase in the minority interest?
- Sanjay Goyal:** Because of the increase in the no of subsidiaries, we have created some more JV subsidiaries here in Delhi from which part contribution is coming.
- Senthil Nathan:** Sir on the broadband side have we chosen that Ethernet of cable will be the technology?
- Sanjay Jindal:** Yes we have also chosen Ethernet over cable and not only we have chosen Ethernet over cables we will couple with GPON and in times to come we are also evaluating to incorporate boxes 3.0 into the system as because Ethernet of cable gives me the advantage of providing the broadband signal to the existing crystal cable at the large mile.
- Senthil Nathan:** Okay and what will be the capex per home per sub on broadband?
- Sanjay Jindal:** It all depends. Our capex per sub pursuing because it will also depend upon how far the fiber has penetrated into the households and we need to take FTTs also into consideration but if you say somewhere around Rs.1500 to Rs.2000 going to be per sub expenditure.
- V. D. Wadhwa:** But in the broadband thing the good part is unlike the cable in the broadband customer is habitual of the entire money recovered so from the company point of view maybe there could be a cash flow issue for a month or so but there is no capex per say. So there is no capex in fact for the company for the broadband services.
- Senthil Nathan:** So will you be realizing some 2000 per customer from the customer itself?
- V. D. Wadhwa:** Yes.



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- Senthil Nathan:** Thanks.
- Moderator:** Thank you. We have the next question from the line of Jay Doshi from IIFL. Please go ahead.
- Jay Doshi:** Thanks for the opportunity. I want to just confirm if my understanding is correct. You mentioned that about 45%- 50% of your digital subscribers you have already received customer data for billing purposes is that correct?
- Sanjay Goyal:** Yes that is true. In fact we are raising our invoice on subscriber on 100% subscriber base. Secondly 40%- 45% data has already come and filled in the OYC system with the STB, VC identification and the customer identification.
- Jay Doshi:** Correct so that would be close to 1.5 million subscribers correct in its Phase I markets mostly?
- Sanjay Goyal:** Yes.
- Jay Doshi:** You mentioned that 85% to 87% of them have opted for the basic package Rs.170 plus is that correct?
- Sanjay Goyal:** No, in fact 85% of available datas has opted for popular pack that is 170 pack.
- Jay Doshi:** Correct so what would that percentage is as a total of 3 million digital subs that you have today?
- Sanjay Goyal:** Remaining datas has yet to be fed in. That is the reason we are doing on a common package billing today. Once the entire data will be migrated into the package based or with the subscriber based information then the packaging based or a tier based billing will be started.
- Jay Doshi:** Sir, do you think that at a very broad based level also more than 80%, 85% of subscribers in Phase I markets would up for the popular pack?
- Sanjay Goyal:** I see that not less than 75%- 80% subscriber would stay on 170 pack and remaining would go on higher packs. I do not see that BST pack would contribute more than a percent.
- Jay Doshi:** Okay that is very helpful thank you. And do you have understanding on revenue share for second TV or is there any will that be similar 33% kind of for see?
- Sanjay Goyal:** In fact for second TV and third TV we have announced a separate special pricing for package of 222 and 267 that is available on our website and we have not offered any special pricing for popular pack.



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- Jay Doshi:** I understand but the share of LCO will be again 33% there or may be higher?
- Sanjay Goyal:** That will be identical one.
- Jay Doshi:** Thank you very much. That is very helpful. Thanks a lot.
- Moderator:** Thank you. We have the next question from the line of Srinivas Sheshadri from CIMB. Please go ahead.
- Srinivas Sheshadri:** Thanks for the opportunity. I just had a few questions. First is on the multiple TV phenomenon just wanted to get your estimate of how much it would be based on whatever information you have currently?
- V. D. Wadhwa:** If you can just clarify what do you want to know on the multiple TV ownership?
- Srinivas Sheshadri:** Yes, so you have mentioned that we have about 3 million kind of subscribers right now so that I suppose would be more counting or household rather than the multiple TVs right so I just wanted to understand that?
- Sanjay Goyal:** Out of the total subscriber base, which we have in digital addressable system close to 20%-, 21% comes out of the multiple TV to us.
- Srinivas Sheshadri:** Okay, so when you are giving the 3 million number, that includes this 20%, 21%?
- Sanjay Goyal:** That is true.
- Srinivas Sheshadri:** So that is basically number of boxes is what we are counting?
- Sanjay Goyal:** Yes, that is the digital subscriber penetration done by us.
- Srinivas Sheshadri:** Okay, so around 20%, 21% would be multi TV homes?
- Sanjay Goyal:** Yes, that is on the basis of what subscriber information; we have received as of now.
- Srinivas Sheshadri:** Okay fine Sir and you would expect that to be the trend going forward as well?
- Sanjay Goyal:** Could be the similar one.
- Srinivas Sheshadri:** Okay fine Sir, and the second question is Sir in Phase III you mentioned there is some bit of seeding, which you have already started so I just wanted to understand is there any significant



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demand pull, which is there because of the DAS, which is happening in say some of the adjoining cities so what kind of demand pull you are seeing because of that phenomenon?

Sanjay Goyal: As a proactive approach by the management rather than waiting for the Phase III due deadlines, or timelines comes in we have already started planning and we have already started putting STB in Phase III towns also so we are not waiting for September 2014 or December 2014 to happen.

Srinivas Sheshadri: Sir any numbers in terms of our estimated Phase III base how much would have done moved to a digital mode?

Sanjay Goyal: that is something, which we will start only after the completion of the Phase II so it is not be a big number for that matter as of now

Srinivas Sheshadri: Okay but you are seeing some demand pull already there?

Sanjay Goyal: We have already started in the some of the Individual MSO towns in Haryana etc.

Srinivas Sheshadri: Sir just one question on the financials you obviously have a lot of JV structures so normally what kind of economic interest do you retain in the make the profits well?

Sanjay Goyal: Normally in all the JV or a subsidiary structure we do not have an economic value interest less than a 51% and the biggest JV which we have in Kolkata we have our economic value interest of about and over 60%.

Srinivas Sheshadri: At a company wide level Sir how does it work like for example if Rs.100 of profit on a consolidated basis how much would flow out to the JV partners on a company wide basis?

Sanjay Goyal: Strictly you have to follow the compliance and guidelines of the consolidation have given in the accounting standard so you have to consolidate as a line-by-line item to that.

Srinivas Sheshadri: Correct Sir so when you are doing the accounting on the JVs it is line-by-line already it is not a full Rs.100 booked and then we are showing an economic interest note?

Sanjay Goyal: No it is complete because you have to do line-by-line item addition.

Srinivas Sheshadri: Sir just theoretically if say one were to do that kind of thing what was be the economic interest outflow, which way it works out to, like for example if I take Rs.170, Rs.180 ARPU typically from an economic perspective how much would accrue to the partners basically on a overall system basis?



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- Sanjay Goyal:** Out of 3 million you can safely assume for at the most you can assume that 20% contribution comes from the partner and the remaining is the 100% economic value interest for Siti Cable.
- Srinivas Sheshadri:** Thank you so much for your clarifications.
- Moderator:** Thank you. Sure Sir. We will take the last question, which is a follow up question from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead.
- Hiren Dasani:** Thank you. Just very briefly what is the 300 Crores long-term loans and advances primarily consist of?
- Sanjay Goyal:** 300 Crores?
- Hiren Dasani:** It is on a consol basis long-term loans and advances on your book?
- Sanjay Goyal:** This primarily includes some of the advances, which we have given to for the purpose of acquisition like in recent past we have acquired Patna, and substantial stake in Guwahati, so it comprises and represents that.
- Hiren Dasani:** But on consol basis would not it get knocked off?
- Sanjay Goyal:** In fact those are yet to be formed and incorporated as a subsidiary to us. So as long as they are not forming part of the subsidiary we cannot knock off you will see the reflection in next periods.
- Hiren Dasani:** So then it would move to the fixed asset and all basically?
- Sanjay Goyal:** That is true and there is certain more acquisition, which we can share offline but I cannot share on the call. We are in the process on the certain major acquisition in eastern part of the country to increase our prominence or strength into that part of the country.
- Hiren Dasani:** Thank you very much.
- Moderator:** Thank you. I would now like to hand the floor back to Mr. Sanjay Goyal for closing comments. Over to you Sir.
- Sanjay Goyal:** Thank you very much, ladies and gentlemen if anything remains, which needs to be responded by us I request you to kindly either drop a mail or may be asked through an offline communication. Thank you very much for participating in the concall.



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Moderator: Thank you Sir, Ladies and gentlemen on behalf of Siti Cable Network Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.