

Operator

Ladies and gentlemen, good day and welcome to the Q4 FY '13 Earnings Conference Call for Hathway Cable & Datacom Limited hosted by PhillipCapital India. As a reminder for the duration of this conference, all participants' lines 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. Please note that the duration of this conference call will be for 60 minutes. Please note that this conference is being recorded. At this time, I'd like to hand the conference over to Mr. Naveen Kulkarni of PhillipCapital. Thank you and over to you, sir.

Naveen Kulkarni, Analyst

Yeah. Thank you, Inba, and good afternoon everyone. We at PhillipCapital India are pleased to host the Q4 FY '13 earnings conference call of Hathway Cable & Datacom Ltd. We have with us the senior management team of Hathway represented by Mr. Jagdish Kumar, the MD and CEO; Mr. G. Subramaniam, the CFO along with other senior members of the team. We'll begin the call with a short commentary by Mr. Jagdish Kumar and then we'll move on to the Q&A session. Over to you, sir.

Jagdish Kumar, Managing Director & Chief Executive Officer

Thank you, Naveen. Good afternoon ladies and gentlemen. Welcome to the analyst call for the quarter and financial year ended 31st March, 2013. As you are aware, we are embarking on our game changing journey, not just for our company but for the industry as a whole.

We are currently undergoing a paradigm shift in the way our business is being conducted. We expect that, as a result of these changes, the fortunes of not only our company but of the cable TV distribution business as a whole, will be transformed in substantial measure for the better.

Hathway along with its JV partners have taken good advantage of the mandatory DAS regulations. We have successfully seeded a cumulative subscriber base that currently exceeds 6 million subscribers as of date. This is after Phase I and Phase II of DAS. Our footprint now reaches key markets across India, that are important [ph] television broadcasters. In the process of our roll out we've expanded our existing areas of operations and also added several new cities to our portfolio. These include Kolkata and Howrah in the East, Jabalpur in the Central region, Agra in the North and concurrently we have also strengthened our presence in cities such as Faridabad, Allahabad, Hyderabad and Bangalore.

It's important to note that our initial growth in Phase I and Phase II cities, have been good but we have kept in mind, the potential we have in Phase III and Phase IV towns. The notable feature of our footprint, is the strength we have established in Hindi speaking markets which are important to major national broadcasters. Additionally, given the urban centricity for our business model, we expect to grow our ARPUs significantly on that strong foundation. Our journey has really begun as we move from being a wholesale business to a retail business; there's a lot of work to be done in numerous areas. I'm attempting to list some of these areas in which our current attention is focused on. One, adequately monetizing our subscriber base. This will be done by entering into fair revenue share arrangement with our LCO partners and concluding contractual arrangements for the supply of content and providing carriage with broadcasters.

While broadcaster agreements are pretty much well underway, our negotiations to conclude formal agreements with our LCOs is ongoing. Given the regulatory push from TRAI and the I&B ministry and our local strong relationships with the LCOs, we are confident of concluding these arrangements soon.

Customer relationships and subscriber management is another area we have focused our attention on. In this respect we have now brought in new talent, we have brought in a senior resource who used to work with Tata Sky in a senior role Mr. K. V. Anand to really lead the CRM, SMS effort for Hathway. So he will bring in those best practices which the DTH industry is known for in terms of customer relationships for our customers.

Differentiating our services from that of DTH, is another important aspect we are working on. We are in a position where we can offer a wider choice to our consumers including better quality HD transmission, innovative pricing and packaging which caters to local preferences, video-on-demand and localized content. This will ensure that our ARPUs will increase; customers will get a better

choice and place us at a significant advantage against competition. We are in the current year implementing the necessary basic infrastructure to make this happen. Another key to this -- our success is leveraging our digital infrastructure across additional services. We expect to upgrade our broadband platforms by migrating to DOCSIS 3 technology in key urban markets such as Mumbai, Bangalore and Hyderabad and thereafter followed by other cities. Our customers will have access to high-speed broadband services that will eventually be bundled along with cable services. This will also ensure stickiness and act as a deterrent to churn.

So with these opening remarks, I now request our CFO, GS to walk you through our financial numbers, thereafter we would be happy to answer any questions from you. Thank you.

G. Subramaniam, Chief Financial Officer

Thank you Jagdish. The -- let me walk you through -- quickly through the numbers, I think they are all in front of you already. Basically our -- I will go straight to the annual numbers because I think they are much more relevant for this discussion. We came in at about 510 crores of income from operations last year. This year it will be at about 651. If you had time to go through the notes to the advertisement you would have observed that we have tried to be as conservative as possible in recognizing revenues from subscription because there is obviously a initial take off challenge. We have been billing local cable operators on a net basis so the numbers that you see are net revenues not the gross revenues.

We expect that even in the current quarter this will continue at a net basis but the good news is we have been able to slowly increase the net billing to our local cable operators. We will see the results of this effort in this current quarter. And hopefully, we will be able to bill the local cable operators in a gross basis effective July, August, September quarter. So income from operations grew to 651 crores on a standalone basis, which compared with the year earlier is 28%. There are no surprises, a substantial part of it has been contributed by activation revenues.

Last year, for instance, activation revenue stood at about 20 crores. This year activation revenues were significant based on the fairly spectacular success that we had in rolling out boxes, making us the -- as a group of companies the single largest seeding of set-top boxes in the market. And that is the first step to digitization. So there is a 28% improvement in income from operations as a consequence. At a consolidated level, of course, we came in at about 1,116 crores which compares with about 1,009 crores in the previous year. Now, that is a 11% growth in income from operations. As far as GTPL, which is a significant subsidiary as concerned we have consolidated nine month's numbers and this does not reflect the full 12 months of operations.

In terms of EBITDA, we came in for the full year at about 169 crores, this compares with 86 crores, a fairly substantial jump. As far as the consolidated numbers are also concerned we came in at about 274 crores, which compares with 168 crores. That is as far as the income statement is concerned. There is a nominal PAT positive number. We should not read too much significance into this at this point of time. The real proof of the pudding is when subscription revenue start kicking in and we expect this to start kicking in from the next quarter.

We have been, as I already informed you, recognizing subscription revenues or accruing subscription revenues on a very, very conservative basis and where the management feel that realizability is the issue we have provided credits towards that. So, that in short sums up our situation.

As far as our borrowings are concerned, we ended the year March with about 712 crores of debt, gross debt. At a net level, netting out cash available on the balance sheet as on that date, this translates to about 674 crores. At a consolidated level, we had about 981 crores of debt and at a net level it is about 904 crores.

So in terms of debt equity ratio as of the end of March, we are fairly comfortable at just about 1:1 ratio. However, as of the end of May, debt has obviously gone up because we continue to acquire set-top boxes and we continue -- we had actually a spectacular seeding of set-top boxes even in the month of April. So we started -- we have now gone up to about 1,040 crores on a gross debt level and on a net debt level we are at about 1,005 crores. That is for the standalone entity.

I think that just about sums our current status. I am sure there are questions from you on receivables because I am -- you must be concerned with that number. What I want to reassure you is what you see in the balance sheet is substantially pertaining to activation revenues which were billed in the last fortnight of March and therefore those amounts would have been collected in the subsequent months. There is also -- part of those receivables are pertaining to placement or carriage and placement receivables from broadcasters. They are typically set off by payments also made to these broadcasters. So receivables are reasonably comfortable at this point of time.

And we are now well set in terms of inventory of set-top boxes and if assuming that the miscellaneous court cases are vacated by the respective high courts, I think the last one pending is Hyderabad, we are fairly confident that we will be able to roll out substantially more boxes in the period going forward. That about sums up operations and I will leave it open to the forum. Thanks. Hello.

Questions And Answers

Operator

Thank you very much sir. Ladies and gentlemen, we'll now begin the question and answer session. (Operator Instructions). Our first question is from Vivekanand S of PhillipCapital. Please go ahead.

Vivekanand S, Analyst

Yeah. Hi. My first question pertains to the net receipts from broadcasters. For the past couple of years we have been earning net income from content, what has been the scenario this year and going forward, what do you expect the scenario to be, that is question number one? Secondly, on the collections from LCOs, is the INR60 per subscriber that we have recorded on revenue, is that on a cash basis or can you please help me understand how much cash we have collected from the LCOs? And related to this, what was the consol DAS income recognized in FY '13? And finally, have we seen any advantage in collection from the JV areas, vis-a-vis the standalone entity? Thanks.

Jagdish Kumar, Managing Director & Chief Executive Officer

I am sorry, Vivek last question, last bit of that question I missed.

Vivekanand S, Analyst

I was concerned about whether we have been able to collect better in JV areas than in the standalone entity or is there no distinction in (technical difficulty)?

Jagdish Kumar, Managing Director & Chief Executive Officer

Okay. I will take it in the reverse order Vivek. As far as collections are concerned, obviously the entire country is not uniform but Mumbai has been extremely good, we have by and large met our collection numbers in Mumbai. Delhi has been a bit of a challenge, but we are fairly confident, we have already accounted for that by way or reversing certain amount of revenues in Delhi. That goes to the question of accounting for it on a cash basis. Accounting standards do not permit me to account for on a cash basis. I have to accrue but what we have adjusted for is realisability. If we anticipate that some of these amounts will be difficult to realize, we have conservatively reversed the billing to that extent.

So, we have not accounted on a cash basis, what we have accounted for is on the basis of realisability of revenues. And we are fairly confident as management that this amount that is taken on board is collectible. Going to your first question, as far as the spread between carriage and placement and content cost is concerned, it remains slightly positive at this point of time. Broadcast contracts are in the process of being negotiated. We are fairly confident that it will be more or less neutral in terms of cost versus carriage and placement. And if there is any negative spread between these two costs, it will be not very significant.

Vivekanand S, Analyst

Okay. And sir on the collection side, what would be the actual cash collections in Q4 on the standalone entity, if you have the data?

Yeah, one sec.

Vivekanand S, Analyst

From the DAS areas.

Jagdish Kumar, Managing Director & Chief Executive Officer

About -- we have been collecting between 65% to 70% of the collections is the, we initially bill a certain amount and we ended up

collecting about INR65 on the average per subscriber. So we have reversed revenues to the extent of about INR20. That is mainly in Delhi incidentally, Mumbai, we have not had to do that type of a reversal, actually collections have been more or less full.

G. Subramaniam, Chief Financial Officer

On the collections front, I just have -- want to make one point. If you were to compare the collections which we had during the analog era versus the collections which we are now doing in the last quarter in both Delhi and Bombay, there are significant increases in the collections. The increases vary from 1.5 to two times what we used to collect. And therefore the trend towards higher collections is definitely there.

Vivekanand S, Analyst

Okay. And sir, lastly on the FY '13 consol DAS income that we have recognized and on the question of standalone versus JV collection advantages or disadvantages.

Jagdish Kumar, Managing Director & Chief Executive Officer

I don't think there is any substantial difference. We are all operating in markets which are homogenous. The only difference is GTPL in Phase I was primarily concentrated in Kolkata and Kolkata billings have actually commenced only from the 1st of April. So we will actually know only in April, May -- we are fairly confident that collections will behave similarly for both the JV cos and us.

Vivekanand S, Analyst

Okay. And lastly, FY '13 DAS income recognition?

Jagdish Kumar, Managing Director & Chief Executive Officer

I am sorry.

Vivekanand S, Analyst

FY '13 DAS income at the consol entity, how much have we recognized?
How much of it is DAS related?

G. Subramaniam, Chief Financial Officer

(inaudible).

Jagdish Kumar, Managing Director & Chief Executive Officer

No, no he wants to know the total amount. Just Vivek, I'll just handle the question a bit later, I will give you the number at the -- I'll just or Rajesh take that number -- I mean Vivek take that number from Rajesh later.

Vivekanand S, Analyst

Okay. Thank you so much.

Jagdish Kumar, Managing Director & Chief Executive Officer

Okay.

Operator

Thank you. Our next question is from Vikas Mantri of ICICI Securities. Please go ahead.

Vikas Mantri, Analyst

Sir just wanted to understand that in terms of a per subscriber basis, we are recovering 60 but is that will eventually recover based on some contract that you would have signed with the LCOs? And second is that we have seen close to an 18%, 20% increase in our pay channel cost in the standalone numbers, while it's flat in the consolidated numbers, so can you help me with what would it be if we put in the entire GTPL numbers for the full year, to give a broad idea of what kind of increase --?

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah. I will help you with that. I will again handle the question in reverse order. As far as GTPL is concerned, typically they book about 18 crores per month. So if you -- the growth will be about 15% to 18% even on a consol basis, but the only change is in the numbers that we have provided you we have only consolidated nine month, therefore it appears flat. The good thing about GTPL is whatever is the revenue booked on carriage and placement more or less sets off these costs booked on pay channels. So they had a -- whatever appears as income would also appears -- a similar number would also appear as a cost. So that is as far as --

Vikas Mantri, Analyst

But what would be that amount 18 crores per month, in what you say?

18 crores per month.

Vikas Mantri, Analyst

Fair enough.

Jagdish Kumar, Managing Director & Chief Executive Officer

Estimated. So if you are working out the math there will be 18 crores per month on the top and 18 crores per month on the -- or maybe 20 crores on the top and 18 crores at the bottom. They will have actually a positive advantage in GTPL.

Vikas Mantri, Analyst

Fair enough.

Jagdish Kumar, Managing Director & Chief Executive Officer

Okay. What was the other question. I am sorry.

Vikas Mantri, Analyst

How much is -- are you going to finally recover from an LCO, so you might have had some contracts which are final or at least what you have billed. You (technical difficulty) contracts have not been done.

Jagdish Kumar, Managing Director & Chief Executive Officer

Yes. So we expect -- we are assuming that we will recover an average of INR180 to INR185 across the country. Obviously, this is an average I am mentioning and approximately about INR80 will flow through to the local cable operator leaving INR100 as a net revenue to us. As we speak, we are invoicing this month onwards INR105 to LCOs on a net basis in the month of May and -- I mean effective June, sorry, effective 1st of June we are invoicing at the rate of INR105. So, if you add 105 plus about INR80 would be the gross billing that will happen to the LCO once we go for full billing to the LCO.

Vikas Mantri, Analyst

And what would be our content cost with respect to that INR105 on a per sub basis?

Jagdish Kumar, Managing Director & Chief Executive Officer

See on an average, it will again vary region upon region. But as I told you at the beginning of this conversation, we expect to be largely neutral. But if you can take a worst case scenario because many of these contracts are still in the process of being negotiated. The worst case scenario would be about INR10 or in that region, which will be the negative spread per subscriber between the carriage and placement and the content cost.

Vikas Mantri, Analyst

Sir, could you just give me one number of carriage, just the (inaudible) cost because carriage might be a declining function going forward?

Jagdish Kumar, Managing Director & Chief Executive Officer

We are not actually seeing carriage as a declining function at this point. You must remember, carriage may be a declining function per broadcaster but the number of channels that we are able to carry on the network is we are now geared to carry upwards with 250 on the average. We expect to take it up to 300 by the end of the financial year and going up to almost 500 channels thereafter. So the carriage absolute sum may not go up but it will be spread across a wider variety of channels.

Vikas Mantri, Analyst

Which is fair enough. Can you help me with the pay channel cost rather than the net number?

Jagdish Kumar, Managing Director & Chief Executive Officer

Pay channel cost would be anywhere between INR55 to INR65 depending on the region.

Vikas Mantri, Analyst

INR55 to INR65.

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah.

Vikas Mantri, Analyst

And can you help me with

G. Subramaniam, Chief Financial Officer

The reason I am giving you a wide range is, in some places like Calcutta actually we could be able to get better rates, in some places where we have to buy more content, we will be spending a bit more, so that's why I'm giving you that range.

Vikas Mantri, Analyst

Yes sir, and in the numbers -

G. Subramaniam, Chief Financial Officer

You can take maybe about INR60 as an average if you want.

Vikas Mantri, Analyst

Okay. And in the numbers can you help us with the activation income in both standalone and consolidated?

G. Subramaniam, Chief Financial Officer

Yeah.

Vikas Mantri, Analyst

Booked in the revenues.

G. Subramaniam, Chief Financial Officer

Yeah. So activation revenues compared to 20 crores last year went up to 142 crores this year on a standalone basis. As far as consolidated is concerned, compared to 30 crores last year, it went up to 192 crores.

Vikas Mantri, Analyst

Okay. So in fact basically we have seen no increase in our subscription revenues for FY '13 because --

G. Subramaniam, Chief Financial Officer

No, I beg to differ, there has been an increase, it's not been substantial but --

Vikas Mantri, Analyst

140 crores. So 20 crores is the increase.

G. Subramaniam, Chief Financial Officer

17 crores is the increase in cable subscription from -- on a standalone basis and it has been -- I'm sorry, the comparison -- the reason why the consolidated figures do not look comparable is because GTPL we have only reflected nine months here, that is why it look lower compared to the previous year. So if you put the full year numbers it will be in fact higher.

Vikas Mantri, Analyst

Okay. And sir can you help us with subscriber numbers across markets?

G. Subramaniam, Chief Financial Officer Vikas Mantri, Analyst

This was the end of March sir?

G. Subramaniam, Chief Financial Officer

End of May. End of May. And then Phase III, in fact interestingly, even in Phase III we have been able to seed boxes as Mr. Jagdish explained to you, cities like Ujjain, (inaudible) Hingoli, yeah, so we have been able to seed boxes even in Phase III cities, we have added about 0.5 million (technical difficulty) cities, so that is how it adds up to about a bit more than 6 million subscribers.

Vikas Mantri, Analyst

Fair enough sir, thank you so much and best of luck for the future.

Jagdish Kumar, Managing Director & Chief Executive Officer

Thank you.

G. Subramaniam, Chief Financial Officer

Thank you.

Operator

Thank you. Our next question is from Miten Lathia of HDFC Mutual Fund. Please go ahead.

Miten Lathia, Analyst

Thanks for the chance. You said that the net billing to the LCO for last quarter has been INR105?

G. Subramaniam, Chief Financial Officer

No, no, no. I said that, going forward prospectively, we will go to INR105 as a first phase and in the quarter beginning July, August, September, we expect to take it up to gross billing.

Miten Lathia, Analyst

And for the --

G. Subramaniam, Chief Financial Officer Miten Lathia, Analyst

Okay. So for October to -- or sort of Jan., Feb., March, you billed INR85 on a net basis and collected INR65 out of that, that's what you are trying to say?

G. Subramaniam, Chief Financial Officer

Yeah. Yeah. Yeah.

Miten Lathia, Analyst

Okay sir. Thank you very much.

G. Subramaniam, Chief Financial Officer

Yeah.

Operator

Thank you. Our next question is from Arjun Khanna of Principal Mutual Fund. Please go ahead.

Arjun Khanna, Analyst

Sir, thank you for taking my question. In the standalone, how many boxes did we add for this quarter?

Jagdish Kumar, Managing Director & Chief Executive Officer

In the standalone, we would have added -- no, actually why don't you take that number offline. I have given you the consolidated numbers for the -- for us and our JV cos. If you want the details just take it up with the team.

Arjun Khanna, Analyst

Sure. Actually the way I am coming from is I am just trying to understand a depreciation in standalone increase, it's increased by roughly INR15.5 crore.

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah.

Arjun Khanna, Analyst Jagdish Kumar, Managing Director & Chief Executive Officer

So 500 divided by INR1500. It's about 3 million boxes.

Arjun Khanna, Analyst

We are roughly adding a million box a month is our seeding on a standalone basis?

Jagdish Kumar, Managing Director & Chief Executive Officer

Not per month, that is a cumulative seeding.

Arjun Khanna, Analyst

Yeah, so the three month, three month is 3.3 million. So then one month would be 1.1, right sir?

Jagdish Kumar, Managing Director & Chief Executive Officer

I am not able to follow your line of argument, can you just repeat that?

Arjun Khanna, Analyst

No. Sir, our depreciation difference between the earlier quarter comes to roughly 15.5 crores.

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah.

Arjun Khanna, Analyst

Given that you annualize it just for this quarter, the difference annualized comes to roughly 60 crores, 62 crores and if you multiply by eight years that's a depreciation line, it comes to roughly 497 crores.

Jagdish Kumar, Managing Director & Chief Executive Officer

Okay.

Arjun Khanna, Analyst

Given cost per box is 1500, you come to a number of 3.3 million boxes.
Yeah. Yeah.

Arjun Khanna, Analyst

So we have been seeding roughly 1.1 million box a month?

Jagdish Kumar, Managing Director & Chief Executive Officer

So as far as your number of 3.3 million boxes, ballpark it will be that because we have done about 2.5 million boxes on a consol basis and we have done about -- Phase II alone we have done about 3.3 million boxes. And yes your numbers will be ballpark right.

Arjun Khanna, Analyst

Right. So there is no other item that's part of this depreciation and amortization?

G. Subramaniam, Chief Financial Officer

No, no, obviously there will be capitalization of head-ends and all that.

Arjun Khanna, Analyst

Sure. But that will be negligible right?

G. Subramaniam, Chief Financial Officer

Those are relatively -- relative to the set-top box, negligible number.

Arjun Khanna, Analyst

Sure and would we continue to seed roughly a million boxes going forward?

G. Subramaniam, Chief Financial Officer

We will continue to seed boxes as is required by the market and if I do a million boxes every month then it will be 12 million box.

Arjun Khanna, Analyst

Sir, no what I meant was the next three months.

G. Subramaniam, Chief Financial Officer Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah. In terms of box seeding, I think the major part of the box seeding has already been done but there are certain areas where we still need some more boxes to be delivered especially in Hyderabad because of the stay which has been given by the Andhra High Court which will again come up for hearing on June 3rd. So once that June 3rd -- June 4th hearing is over, which we expect to be in our favor as it has been in other high courts, there will be a surge in the box demand because of the stoppage of analog signals.

Arjun Khanna, Analyst

Right. In terms of our STB boxes, how much we have in inventory with us?

G. Subramaniam, Chief Financial Officer

We will have about a million boxes, more than adequate for completing Phase II seeding. And in fact we will be having, we will be starting to do Phase III by the last quarter of this year.

Arjun Khanna, Analyst

Sure.

G. Subramaniam, Chief Financial Officer

And we will be going -- we will continue to do Phase III thereafter. So, we are adequately stocked as far as boxes are concerned so there is no worry on that front.

Arjun Khanna, Analyst

In terms of depreciation of our boxes, it's only post sale is depreciated, right?

G. Subramaniam, Chief Financial Officer

Absolutely, it's only post sale.

Unidentified Participant

Sure. In terms of prime and deep for STP boxes they have ask for a rental what a view on that, and have you started during out those plan.

Unidentified Speaker

We are examining the TRA doers in detail now from our perspective you know the TRA is given out option to the consumer buy the boxes or to rent the boxes at the specified rates in the TRA is mentioned and they are not assumed any subsidiary which can be given to the consumer but most of the MSO is now do give call subsidiary. So therefore there is you know DTRX, doesn't necessarily say that you have to only use their -- we there is you know flexibility given to the MSO is to give optional packages to consumers. So with the subsidiary element which is come into play most MSO would obviously give an other optional package but, mandatorily we have to give the ability to, unique consumer chooses to pay, 30, 50 per box over the period of three years. And then an interest cost of 15%, so really speaking about our financial perspective which is not favor, what about guidance, the TRAI has recommended, but if you look at the ability of the consumer to pay that number.

Unidentified Participant

No, but if we've looks at it the flip side, our current accounting wanted really affect our P&L given that we won't be booking activation fees for that?

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah, to the extent a customer chooses an activation fee based model, that is three year activation fee based model, we'll have to book activation only to that extent. So it will marginally impact but, we've completed our Phase 1 and Phase 2 substantially, so that is not major impact.

Unidentified Participant

Sure, sure. Point will taken, sir. Sir my last and final question is, on the strategy levels such as entertainment taxes, are they actually being paid out to the government currently and what's the status on that? You did mention some numbers in terms of 85 moving, eventually to 180, I assume that doesn't include these taxes. So what are the incidents of tax follow on and when do we expect that to be paid out?

Jagdish Kumar, Managing Director & Chief Executive Officer

In Delhi the incident since 1st of April is on the MSO.

Unidentified Participant

Sure.

Jagdish Kumar, Managing Director & Chief Executive Officer

So we have the obligation to pay, we've been starting to look at those numbers, as far as Mumbai is concern there is still some ambiguity, but we'll have to take - because we expect the government to clarify withstand on whether it's MSO incidents or - incident soon. And they are more than likely to follow the Delhi model, so eventually I anticipate that all entertainment tax incidents will be on the MSO.

Unidentified Participant

And when would we start paying it?

Jagdish Kumar, Managing Director & Chief Executive Officer Unidentified Participant

So, the amount you are getting so you mentioned 65?

Jagdish Kumar, Managing Director & Chief Executive Officer

No, no that 65 rupees is net of entertainment.

Unidentified Participant

Sure, sir we've been able recover the difference from the --?

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah.

Unidentified Participant

Including the entertainment tax?

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah.

Unidentified Participant

So, thank you so much, really appreciated. Thank you, sir.

Operator

Thank you very much. Next question is from Ankur Rudra of Ambit Capital. Please go ahead.

Ankur Rudra, Analyst

Hi, thanks. To begin with can you please clarify this point you made about the reversal of 20 rupees, is that for the entire business or is that only for Delhi?

Jagdish Kumar, Managing Director & Chief Executive Officer

Mainly the, Delhi.

Ankur Rudra, Analyst Jagdish Kumar, Managing Director & Chief Executive Officer

On a personal basis, yes.

Naveen Kulkarni, Analyst

Because at Mumbai the situation is not been at challenging at from Delhi.

Ankur Rudra, Analyst

Okay. And on the exact rate for digital stuffs for the standalone, can you give me the numbers for -- exit rate, could you give us a number, so I think end of May right now?

Jagdish Kumar, Managing Director & Chief Executive Officer

No, I gave you on a consolidated basis.

Ankur Rudra, Analyst

Okay.

Jagdish Kumar, Managing Director & Chief Executive Officer

Exit rate means what you -- exit number of set-top boxes ceded in March.

Jagdish Kumar, Managing Director & Chief Executive Officer

I -- why don't you take that offline with my team. But when you say exit number -- in a quarter, okay, okay. So if you take the exit quarter that is Q4 of the last financial year, we would have ceded approximately 1.8 million boxes in that quarter.

Unidentified Participant

Okay. Fair enough. Then just on the content cost, you explained how the spread you are expecting eventually negotiations will lead to either neutral or very low negative. But the numbers for the fourth quarter, these don't really indicated the ending of the negotiations. Actually we will see some impact from Q1 onwards, I mean this is not an indication of the run rate for the next --?

Jagdish Kumar, Managing Director & Chief Executive Officer

This is still in the works. Some of these negotiations are ongoing and they are not fully reflected in the quarter ending 31st of March. Because in the first phase of that we were able to negotiate fixed price deals and these contracts extended all the way to 30th of April also in some cases and some of them 31st of March. Some of them would go as much as October. So the full impact of DAS pricing to us would be reflected almost, probably I think the next financial

Unidentified Participant

Okay. But that again will be partial because you currently have fixed rates running till October, like you said.

Jagdish Kumar, Managing Director & Chief Executive Officer

No, no, not all of them. Some of the channels are till October, some of the channels were till 30th of April, so there is a wide variety

of options there. So, I expect that the full impact on an annualized basis will be felt in the FY '15 only.

Unidentified Participant

And when you are negotiating I understand it's on a fixed basis, but do the broadcasters take into account that your collections are getting delayed and hence the step-ups will get pushed out as a result of that?

Jagdish Kumar, Managing Director & Chief Executive Officer

Yes. I mean that's the kind of battle which we have with the broadcasters because in a lot of cases the broadcasters have assumed that we have already entered into a true digital environment which is not really the case. So we have a transition phase here which we have been able to in some cases successfully negotiate with the broadcaster saying that there is a period in which we will still have to be looking at this industry more from the analog perspective. But as we speak, it's a hybrid of both fixed fee and -- kind of a contract with the broadcasters. So in the immediate nine month to 12 month period we have been able to negotiate fixed fee kind of deals with a majority of the broadcasters. Because based on the growth rates ranging from 15% to 20%

Unidentified Participant

So basically it's a very-- depend, given where you stand today, can you have any visibility on overall increase in --cause for FY14 over FY13, I understand there will be a compensatory change in carriage?

Unidentified Speaker

It could range anywhere between 15% to 20% during the long run, it will not take place in just one year but you are right, the substantial part of it will also be compensated by the carriage and placement. And the one other advantage that we have is, we have expanded into new markets and therefore we expect to see carriage and placement actually coming in from new markets and from new broadcasters coming on to the platform so that's the combination. So and the good thing about this new market is they are all, some of them are fairly sandwich market and broadcasters will find it attractive to talk to us and hopefully negotiate a fair deal with us.

Unidentified Participant

It's good to know. This -- on -- day to day you did mention that, part of the increase in dates is because of I think broadcasters may be dealing payments, part of it is on activation. So if we adjust for both of those factors, our dates flat on a Y-o-Y basis? It will be flat.

Unidentified Participant

Okay, great, thanks a lot --

Operator

Thank you. Our next question is from Bijal Shah of IIFL. Please go ahead.

Bijal Shah, Analyst

Hello, thank you for the opportunity and I have few questions largely on financial side. Now first when you state that in -- is content versus -- INR15, 10INR is negative or it could be neutral. We are talking about what universe, we are talking about gross universe, all phases together we are talking about phase I, we are talking about phase one plus phase two, if you can give you some idea on that?

Unidentified Speaker

Assignment of DAs area is roll out, he knows the that DAS area. In the initial state, we expected to be marginally positive, then probably it could go marginally negative. So we don't know exactly because many of these contractors still in the courses of being

negotiated and then it may go negative and then again go back to being positive as more and more new broadcasters join the tea,.

Bijal Shah, Analyst

Okay, so first thing, I mean, so if we look at FY14, we would be phase I and phase II are complete, so for phase I and phase two, we can see neutral to slightly negative kind of --

Unidentified Speaker

Absolutely, you are right.

Bijal Shah, Analyst

And the phase III, phase IV, we can continue with normal growth.

Unidentified Speaker

It will continue with normal growth.

Bijal Shah, Analyst Unidentified Speaker

So our average cost of funds would be in the range of about 11%. Okay.

Unidentified Participant

Okay.

Jagdish Kumar, Managing Director & Chief Executive Officer

Now I am assuming a fully hedged foreign currency exposure. Okay.

Unidentified Participant

Okay.

Jagdish Kumar, Managing Director & Chief Executive Officer

So at 11% and assuming that we peak at about 1,100 to 1,200 crore range. I am keeping a range only because we don't precisely know when the gross billing will start, so I am just keeping a range to allow for that. So if you keep that you take 11% of about 1,100 to 1,200 would be the range of interest cost also.

Unidentified Participant

Okay so 1,200 crore. Now besides STB, sir just if you can give me, help me with one number is that what was the actual STB deployment or ceding of STB in FY '12 and in a consol basis not single market and consol ceding of STB in FY '12, '13 and what we expect in '14 or if you can give me a number only for '13 and '14 that is good.

Jagdish Kumar, Managing Director & Chief Executive Officer

Just wait. So we would have ceded a bit more than 3 million boxes in the last financial year.

Unidentified Participant

On a consol basis.

Jagdish Kumar, Managing Director & Chief Executive Officer

Okay. On a consolidated basis and in the last two months we have continued to cede boxes. So that is about one more million has been ceded in the last two months. We had a very, very rapid take-up in the month of April. It slowed down post April mainly because of the many court cases that were there, which hopefully now most of them having vacated the last one being Hyderabad, we expect the off take to again accelerate and hopefully we will do another 0.5 million more in the next month. So that is the type of off take.

Unidentified Participant

No, sir, for full year FY '14 would it be okay to say I mean maybe 2 million, 2.5 million kind of number?

Jagdish Kumar, Managing Director & Chief Executive Officer

No, that will be ambitious I think because Phase 3 kicks on in September 2014.

Unidentified Participant

Okay.

Jagdish Kumar, Managing Director & Chief Executive Officer

And you are asking me to give forward-looking comments. So I would like to avoid that at this point.

Unidentified Participant

Yeah, okay, no problem. So that is it -- yeah, and last question is on CapEx. Now what is likely to be the CapEx, I mean one is STB CapEx which we got a hang of. Besides STB, you will have CapEx on -- upgrades and you will have CapEx on the broadband side, so if you can give us some idea on both the number would be really useful.

Jagdish Kumar, Managing Director & Chief Executive Officer

That's right. So in the last financial year, the total CapEx would have been in the region of about, on a standalone basis, okay, would be in the region of about 573 crores out of which about 22 crores will come in for broad band and the balance would be for the cable television

Unidentified Participant

Okay.

Unidentified Speaker

And if you want a further breakdown between that please contact the team they will give you the break up

Unidentified Participant

Yeah sir, next year I mean the rate of the CapEx is SUB will it go over because we are going to implement doxes and may be they even look at.

Unidentified Speaker Unidentified Participant

Okay.

Unidentified Speaker

The biggest investment that we make is in the top box and bulk of it is already been done.

Unidentified Participant

That's right. Okay thank you very much and all the best.

Unidentified Speaker

Thank you.

Operator

Thank you. Our next question is from Avinash Agarwal of Sundaram mutual fund. Please go ahead.

Unidentified Participant

And sir could you give us the activation revenue for this quarter sir.

Unidentified Speaker

For the last quarter.

Unidentified Participant

Yes sir, Q4.

Unidentified Speaker

Yeah I can give it to you. It's about 87.6 crores on a standalone basis and on a consolidated basis I don't have the consolidated basis you take it from the guidance but on the stand basis is about 87.6 crores.

Unidentified Participant

Sure, sir. And sir why have you seeing boxes in phase three now all that the number is small, but why did we start feeding and so

These are the territories which typically surround us phase II city so it is appropriate that we go ahead and capture territory for example Ghaziabad, which is the phase three Ghaziabad, is the --. So there are areas around Calcutta, then areas around -- if you look at certain area's like mira road, our areas which are you know connected, which has gone in Bombay, where they are actually in terms of the demarcation made by the -- ministry, there are in phase three. So certain area's which are adjacent to our existing area of operation which was we are looking at --.

Unidentified Participant

Okay. And sir JTPL has been consolidated for nine months, which nine months sir the first nine or

Unidentified Speaker

Nine months ending December.

Unidentified Participant

Ending December. Okay, and sir in terms of the payment from Delhi you mentioned that lower or how that is now in the last two months has it

Unidentified Speaker

It has been very good actually we have been seeing very encouraging improvement on month on month basis and we are now targeting to grow that substantially.

Unidentified Participant

Yeah, we seeing any of -- money also coming by examine the money for Jan to March.

Unidentified Speaker

Whatever we are provision we have provision because you know we have a expectation of deceivability and we are provision for it we may I mean we are lucky we could collect more we will not stop pushing for collation of it.

Unidentified Participant

Okay sir. Thanks a lot --.

Unidentified Speaker

That is conservatively either provision both actions have been taken.

Unidentified Participant

Sure. Thanks a lot and all the best.

Jagdish Kumar, Managing Director & Chief Executive Officer

Thank you.

Operator

Thank you. Our next question is from Rajiv Sharma of HSBC. Please go ahead.

Rajiv Sharma, Analyst

Yeah. Hi. Thanks for the opportunity. Sir, I just wanted clarification on the entertainment tax and service tax, so the incidence of both will lie on LCO?

Jagdish Kumar, Managing Director & Chief Executive Officer

No. Service tax -- no, see, it depends on each state. Some states like Delhi has notified that the incidence of service tax -- no entertainment tax will be on the MSO. Even the Maharashtra government has also followed Delhi in doing that. But lots of other states are yet to do so, so there is a bit of a confusion in this regard. As of now, in states like Madhya Pradesh and other places, the incidence of the tax is on the MCO.

Rajiv Sharma, Analyst

Okay. So net-net I wanted to understand that you are -- you suggested that INR55 to INR65 for broadcaster and INR80 for LCO, so --

and your ARPU is at around 180, so you are left with INR35.

Jagdish Kumar, Managing Director & Chief Executive Officer

No, no, then you have to add back carriage and placement.

Rajiv Sharma, Analyst

No. Just keeping the carriage placement aside for a moment and treating it --

Jagdish Kumar, Managing Director & Chief Executive Officer

The 185 is net of service tax and entertainment tax.

Rajiv Sharma, Analyst

Okay. So this ARPU is net of -- so what is your post tax ARPU on an average?

Jagdish Kumar, Managing Director & Chief Executive Officer

Our post tax ARPU on the average that we have accrued in our books for the quarter ending March is about 65.

No, actual ARPU in the market means post tax, not your realizations per share.

Jagdish Kumar, Managing Director & Chief Executive Officer

It very from -- that could vary from state to state from territory to territory.

Rajiv Sharma, Analyst

But it will be in excess of 220, because you have entertainment tax plus service tax.

Jagdish Kumar, Managing Director & Chief Executive Officer

Absolutely, absolutely.

Rajiv Sharma, Analyst

Okay. And second sir, what was your consolidated CapEx for this year?

Jagdish Kumar, Managing Director & Chief Executive Officer

Consolidated, can you take it offline because I don't have the number readily on me. You can take it offline.

Rajiv Sharma, Analyst

Okay. And my last question is on your ARPUs, so did you use this or let me frame it better that did the set-top box ceding allowed you with an opportunity to take the ARPUs up little bit or that territory is yet to be explored?

Jagdish Kumar, Managing Director & Chief Executive Officer

So actually as of now our -- is at the net level, so what you are saying is definitely the direction in which we are going to go to. So as and when we start doing gross billing at the consumer level, when we look at various -- packaging from channels. That's where the

opportunity to really increase ARPU comes in. So that will happen only from July onwards.

Unidentified Participant

Okay, okay. And the message which we are getting is that the LCO will be contained at 45% revenue share. You don't see major destruction to this number?

Jagdish Kumar, Managing Director & Chief Executive Officer

We don't see any major destruction, where we'll always be at order case, but I don't think on an average - we are fairly confident of this.

And sir, lastly your other cost for subscriber will be how much? Sms and your other cost which are there, call center plus that will be -- and one last thing I wanted the mix of your subscriber base, out of 6 million how much you're direct and how much your secondary?

Jagdish Kumar, Managing Director & Chief Executive Officer

Yeah, I will take the second question first, the primary subscribers would be about 600,000 subscribers about 10% of our subscriber base. And balance 5.4 would be, actually it is a bit more than 6 million subscriber, so you can take it that. As far as our variable cost of serving a customer which includes sms conditional access and call center, we'll coming act about 5 rupees to 6 rupees range.

Unidentified Participant

Okay. And sir your 600 direct subscribers they are all in standalone?

Jagdish Kumar, Managing Director & Chief Executive Officer

No, no, no. There are primary subscribers both in standalone and in the JV -.

Unidentified Participant

Do you have a break up for that?

Jagdish Kumar, Managing Director & Chief Executive Officer

We'll take it from my teams later.

Unidentified Participant

Okay, sir. Thank you very much, sir. And all the best for coming quarters.

Jagdish Kumar, Managing Director & Chief Executive Officer

Thank you very much.

Operator

Thank you. Your next question is from Pratish Krishnan of Antique Stock. Please go ahead.

Pratish Krishnan, Analyst

Yeah, hi. You mentioned that the Delhi has an issue in the month of probably the quarter of Q4. What is the status to, are you

getting like 85 rupee of--?

We are starting to cash out on 85 rupees at this point of time. In fact, as I mentioned earlier in the conversation, we are opting our billing rates net billing rates to 105 rupees.

Pratish Krishnan, Analyst

Yeah.

Jagdish Kumar, Managing Director & Chief Executive Officer

So hopefully, I will not say it's a - Pratish, it will be unfair on a part to over state that case. But we'll not fight that backing in delhi, that's all.

Pratish Krishnan, Analyst

Okay. And, so even Delhi will migrate to that level, I mean you think is this possible?

Jagdish Kumar, Managing Director & Chief Executive Officer

No, no, no. Delhi is going first to 105 actually.

Pratish Krishnan, Analyst

Okay, okay.

Jagdish Kumar, Managing Director & Chief Executive Officer

I don't want to state the obvious, but this requires some collective effort. So that is what it's happening.

Pratish Krishnan, Analyst

Sure. And when - you'll do gross building, I mean this would be, I mean you'll send the bills to the consumer directly or you'll still --.

Jagdish Kumar, Managing Director & Chief Executive Officer

We are still reckling that in detail, one possibility we are looking at it, we'll generate, because the bills have generated centrally.

Pratish Krishnan, Analyst

Yeah, true.

Jagdish Kumar, Managing Director & Chief Executive Officer Unidentified Participant

Okay. And in terms of the broadband sir, any bit in terms of where you stand today on a subscribers' ARPU on a Y-o-Y basis FY13 versus FY12.

Unidentified Speaker

We are at about 416,000 subscribers. Our ARPU will be in the range of about INR308[ph] at this point of time. We are expecting to take it higher in the future because as Mr. Jagdish Kumar mentioned, we are in the process of implementing DOCSIS three infrastructure in key markets, particularly South Mumbai, Western - and all that and we expect that this will allow as to deploy faster speed services to our subscribers and hopefully that will allow us to take the average ARPU much higher.

Unidentified Participant

Sure and the software seems to be almost flattish here in term of the broadband side?

Unidentified Speaker

Yes, yes.

Unidentified Participant

What is the, maybe plans or kind of take it out for --

Unidentified Speaker

There are two metrics you have to follow. One is the number of home pass because that has been flat in the last year. So our entire effort last year was on feeding those three and --. So you know that has taken a bit out of us. We are now as Jagdish mentioned, now have a concrete action plan starting in the second half of this year where we will be rolling our new infrastructure and hopefully that will yield us some results.

The problem in the broadband business is it's a very very competitive space. So we have to be able to offer it differentiated product. What we were offering in the past was an undifferentiated product which was similar to what MTNL or anybody else give. But the cable infrastructure, now that we have digitized, frees up huge amount of capacity. Once that capacity is freed up, I can give my customer, higher speed.

So this is like a sequence of events. First -- happen, then capacity is freed up, once capacity is freed up, I am able to allocate more and more capacity to my broadband subscribers. So that has just happened and nor that we implement DOCSIS, we should be able to --

Unidentified Participant Unidentified Speaker

in phase III ?

Unidentified Participant

Yeah.

Jagdish Kumar, Managing Director & Chief Executive Officer

In phase III, we are looking at certain opportunities in West Bengal, primarily because of the continuous nature of the -there, similarly we are looking at certain options in and around Maharashtra especially in the Marathwada region. And then we are looking at options in Andhra Pradesh. So the various areas where we are strong in certain cities and where the connectivity issues for us are not going to be a significant part.

Pratish Krishnan, Analyst

Any subscriber numbers do you have in mind in terms of -- the number that you want to look at?

Unidentified Speaker

We are not allowed to give you forward-looking statements.

Pratish Krishnan, Analyst

And would this require for the investments in -- I mean, for you to be in Phase III?

Unidentified Speaker

No only require investment headings [ph] we only require to get the proper connectivity link for which we'll have to pay telcos or some other players.

Unidentified Speaker

These are all adjacent areas Pratih, so typically they don't need additional Head in infrastructure.

Pratih Krishnan, Analyst

Okay. Fine. Sure. Thank you so much.

Operator Jatin Chawla, Analyst

Yeah. Good afternoon sir. This is Jatin Chawla from Credit Suisse. Congratulations on a good set of numbers. My first question is on where are we on the data collection by the LCOs in terms of consumer level -- packages and stuff in Delhi and Mumbai?

Unidentified Speaker

We are at about 60% plus in Mumbai and Delhi and we are hoping to complete this process by end of June. There could be a slight spill over. That is why when I was talking of gross billing in those cities I was talking of such, July, August, September, I didn't put a precise date to it, but we are expecting to substantially update our customer database by the end of June.

Jatin Chawla, Analyst

Okay. And --.

Unidentified Speaker

The good news is the last few weeks have seen a big upsurge in the data that we have collected because we have taken action to switch off subscribers and that has driven us -- given a fantastic response. So customers now are coming forward to supply us that information that, not only the address and telephonic details, but also the packages that they want.

Jatin Chawla, Analyst

Okay, great. My second question was, in Phase I and Phase II what do you think was the market share for the cable industry vis-a-vis DTH in terms of the conversions that happened broadly?

Unidentified Speaker

I think in terms of additional -- we can give it. Probably I estimated it at about 85 to 90% but that is not a very relevant statistics. At the end of it what we have to see is where is this all going to end up.

Jatin Chawla, Analyst

Right.

Unidentified Speaker

I think it will probably end up at about one-third, two-third type of share of subscriber base in the long run. And that too will be more -- sorry.

Unidentified Speaker

What I can clarify is in the Q3 and Q4. For quarters, DTS did not add substantially towards subscriber base as -- where as there was an expectation that there will be a flow of subscribers form cable to DTH?

Unidentified Participant

And when you say, one third, two third that would be more -- in Phase III and Phase IV towards DTH, right?

Unidentified Speaker

It's too early to say, possibly yes. I'm only quoting some public information by research agencies which has said that there will be a roughly end result of one third, two third type of --

Unidentified Participant

And when ?

Unidentified Speaker

100% cable.

Unidentified Participant

Yeah, that's true. And when you enter new areas like in Phase III Phase IV, are you replacing existing MSOs or what is the process that happens there, when you enter a new market?

Unidentified Speaker

I think it's a combination of both , it's a combination where some MSOs do not step and give these boxes when we enter into the gap there plus there are independent operators who look to team up with the national MSO like us, it's combination of both.

Unidentified Participant

And in terms of your content deals with broadcasters now, do you think going forward, there will be more on a basis or do you think this fixed nature of contracts would continue for the next two-three years in the time we see digitization finally stabilized.

Unidentified Speaker Unidentified Participant

And what are your thought processing terms of ARPU increases, will it be largely package driven or like we have seen with the DTH industry into the last few months where we have taken in absolute -- . How do you think about that, going forwards?

Unidentified Speaker

I think it's going to be, package driven would be one factor but I think the bigger factor would be to be able to give an additional local channels, additional services.

Unidentified Participant

So more on value added services

Unidentified Speaker

Sorry.

Unidentified Participant

So more on value added services.

Unidentified Speaker

More on value added services, I mean preferably we will take that growth other than just innovative packaging.

Unidentified Participant

Great, thanks a lot, best of luck.

Unidentified Speaker

Thank you.

Operator

Thank you. We will take our last question from -- . Please go ahead.

Unidentified Participant Unidentified Speaker

Actually there will be a combination, one is DOCSIS 3 and also increasing our reach because you can't, although we reach about 1.4 million, 1.5 million home, we cannot penetrate 100% of those home because many of those home will have access to alternate service providers. So we typically expect, given our current experience about 25% to 27% penetration of the home spot. So we assume that we have to grow to about 700,000 subscribers or 1 million subscribers and I'm not giving forward guidance in this, I'm just saying as an example, we have to grow to that, I have to ales grow my home spot. So we will be of course making investments in that, that is one approach.

The second approach is, we are right now between high-bandwidth product and low-bandwidth product, we are neither this, nor that, so we are slowly tiring to move this game to the high-bandwidth product, high speed product because we have the capacity available and that capacity have been freed up only in the last few months.

Unidentified Participant

Right, right. I mean, I'm assuming the, your focus on expanding reach is secondary, primary you are trying to get to the high bandwidth product range.

Unidentified Speaker

I would like to say, it's a 50:50, that will also be a reach expansion but it will not be the immediate strategy, maybe in the longer run.

Unidentified Participant

Longer run, I mean, like you have said is 6 million home spot -- increased to , I mean, are we planning to reach all 6 million -- three or four years or something like that? I'm just trying to get a rough sense of?

Unidentified Speaker

Again you are asking me for forward guidance on this but question is obvious, my answer is obvious.

Unidentified Participant

And what would be the cost for reaching the additional subscriber?

Unidentified Speaker

Typically about --just one second -- INR2,400 per additional subscriber bidding cost. This factors in two cause, one is the customer provided equipment and other is the cost to reach the subscriber home and the third is the amount of the home spots because the home spot will be let's say, x amount divided by the penetration percentage. All this adds up to about INR3000[ph], then you back out about INR500 towards activation charges, so the net subscriber acquisition cost would be in the range of INR2,400 to INR2,500. Okay, I'm assuming that your current broadband reaches by mainly to your primary subscribers?

Unidentified Speaker

No, that is not the right assumption, we actually had our strange situations of actually serving secondary subscribers, secondary subscribers not just in our territory but also JV territory and very interestingly sometime in competing MSO territory because competing MSOs do not have a broadband service like us. So we are the largest MSO providing the service. So we have a singular advantage of actually going to competing MSO --

Unidentified Participant

How much do you think is the revenue share, I mean with the secondary --

Unidentified Speaker

About 15% and that is not uniform, that depends on the case to case date, I'm sorry 10%, my colleagues are correcting me.

Unidentified Participant

So , I mean I'm just trying to understand because without his acceptance, I mean the LCOs section you cannot really provide broadband directly to the customers?

Unidentified Speaker

Of course, of course, he own the right way, we have to respect that and there is a price to be paid for that.

Unidentified Speaker

In fact we will actually -- own process, not only for broadband, -- for our other digitization process as a whole, our plan is to cop the LCO -- the kind of relationship they have on the ground is something which we can exploit. So therefore things like network maintenance and customer which responds plus collections, they could be our partners in this digitization trend.

Unidentified Speaker

You know very frequently everybody depicts the relationship between NSO and LCO as a very compact relationship. We don't see it as that. We think we are very key partners to make our businesses.

Unidentified Participant

Okay. My last question is on your acquisitions of any MCOs or smaller NSOSs, I would have thought that, maybe you would have got some opportunities in Phase II for people who are not able to see set top boxes, have you seen that because you said, you expanded into markets and I'm assuming that would happen if you are acquiring more MSOs,

Unidentified Speaker

You don't have to acquire an MSO, you have to acquire the subscribers, right? so when where a local cable operator community does not get set top boxes from their MSO, they approach a half way which is relatively better funded and better prepared for and the other thing is, everybody thinks of the business as only able set top boxes, you need to have good quality back end infrastructure and very very world class conditional aspect system both of which I think we had.

Unidentified Participant

Right, so you had that opportunities in the past, I mean like how many set of these --

Unidentified Speaker

These are not classic inorganic acquisition. We don't pay any price for this.

Unidentified Participant

-- I mean

Unidentified Speaker

No, no, I'm putting set top box into the territory and entering into a LCO MSO relationship with the LCOs in that region. That's all.

Unidentified Participant

Okay. So you see more of happening or that's kind of --, it's kind of stabilize back front.

Unidentified Speaker

We do see more of that happening because slowly the horses for horses situation is happening so I think people who are well funded or who has got adequate inventory of set top boxes are likely to win the battle.

Unidentified Participant

Right sir. I mean funds in -- 6.2 million subscribers right now, right? And you said 0.5 maybe because of Hyderabad more but you could see that going further because of this relationship happening?

Unidentified Speaker

Could, -- could, we don't know.

Unidentified Participant Operator

Thank you. Due to time constrains, that was the last question. I would now like to hand the floor back to Mr. Naveen Kulkarni for closing comments.

Naveen Kulkarni, Analyst

I would like to thank the management for taking time for this call. I would like to hand the proceedings back to Mr. Jagdish sir. Over to you, sir.

Jagdish Kumar, Managing Director & Chief Executive Officer

So thank you everybody for your time today. In closing comments, what I have to say is that, we are really excited with the

opportunities we have empowered front of us. We have been very happy with the success of what we have achieved in Phase I and Phase II. Our focus now is really to get the customer information from the LCOs and also to get into the very mutually beneficial revenue sharing arrangement with the LCOs. And of course focus on cash to be collected from the ground.

So on the Cable TV side, we also have the opportunity to expand to Phase III areas as we move forward. And we also have the ability to exploit our connection with the consumer for our broadband. So thank you all for your time and I'm sure, we will be able to come back to you with some better news -- much better news in the next quarter, thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, on behalf of PhillipCapital India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.