October 21, 2011

ACTION

Buy

Dish TV India (DSTV.BO)

Return Potential: 25%

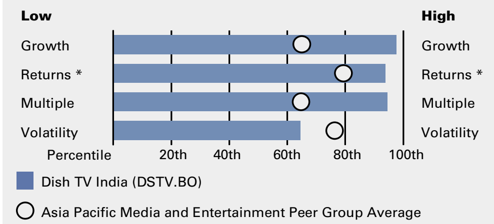
Equity Research

Upgrade to Buy; digitization makes risk/reward favorable

Source of opportunity

We upgrade Dish TV (Dish) to Buy from Neutral with a target price of Rs95, (implying 25% upside from current levels) as we believe the company is well placed to show a FY11-FY14E revenue/EBITDA CAGR of 30%/64% led by: 1) steady net adds and ARPU uplift helped by the mandatory digitization, and 2) improving EBITDA margin driven by operating leverage. We believe consensus is not fully factoring in this turnaround and note that we are 7.7%/5.4% ahead of Bloomberg consensus for FY13/FY14. If the government achieves its mandatory digitization target by FY14 (not our base-case), then our implied value increases to Rs120, implying 58% upside.

Investment Profile



* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Catalyst

We expect improving visibility on net profit/FCF breakeven and decent uptake in the festive season (despite a muted economic growth) to act as near-term catalysts. We estimate Dish to turn net profit positive in 3QFY12 and FCF positive in 1QFY13. In addition, faster-than-expected migration from analog to digital platform and better-than-expected market share of DTH/Dish could lead to upside risk to our estimates.

Valuation

Dish trades at 10.7X FY13E EV/EBITDA (vs. global peers 5.0X-8.2X), but offers better growth (FY11-14E EBITDA CAGR of 64% vs. global peers at 5%-11%). The company trades at a 17% discount to historical 1-yr fwd average EV/EBITDA of 19.8X. We raise our FY12E/13E/14E EBITDA by 4.5%/27.9%/37.3% to factor better subs/ARPU and operating leverage. Accordingly our FY13E/ FY14E EPS increases to Rs1.17/Rs3.16 from Rs0.22/Rs1.55 (FY12 EPS changes to -Rs0.18 from –Rs0.33). As a result our 12-m DCF based target price rises to Rs95 (prev. Rs46).

Key risks

INR depreciation; higher competition from cable operators.

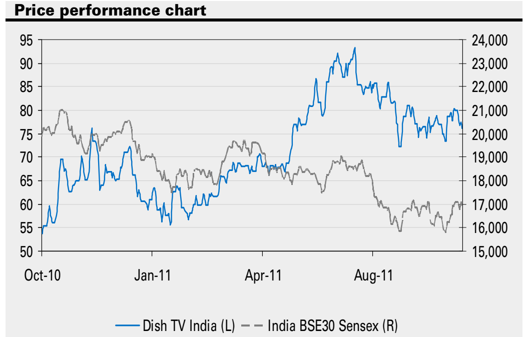
INVESTMENT LIST MEMBERSHIP
Asia Pacific Buy List

Coverage View: Neutral

Key data	Current
Price (Rs)	76.10
12 month price target (Rs)	95.00
Market cap (Rs mn / US$ mn)	80,925.2 / 1,646.2
Foreign ownership (%)	12.7

	3/11	3/12E	3/13E	3/14E
EPS (Rs) New	**(1.78)**	**(0.18)**	**1.17**	**3.16**
EPS revision (%)	(55.5)	47.5	436.4	104.6
EPS growth (%)	44.6	90.2	767.8	169.7
EPS (dil) (Rs) New	**(1.78)**	**(0.18)**	**1.17**	**3.16**
P/E (X)	NM	NM	64.9	24.1
P/B (X)	43.2	58.6	30.8	13.5
EV/EBITDA (X)	27.3	16.3	10.7	7.3
Dividend yield (%)	NM	NM	NM	NM
ROE (%)	(67.3)	(30.2)	62.2	78.0
CROCI (%)	25.7	27.1	31.7	35.0

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(14.5)	11.8	41.6
Rel. to India BSE30 Sensex	(6.6)	28.6	66.1

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/20/2011 close.

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Dish TV India: Summary Financials

Profit model (Rs mn)	3/11	3/12E	3/13E	3/14E
Total revenue	**14,365.6**	**20,261.2**	**25,310.5**	**31,763.5**
Cost of goods sold	(11,127.1)	(15,161.8)	(18,577.7)	(22,246.7)
SG&A	(4,504.3)	(4,407.8)	(4,620.4)	(5,067.8)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**2,388.2**	**5,392.2**	**7,857.9**	**10,547.6**
Depreciation & amortization	(3,654.0)	(4,700.6)	(5,745.5)	(6,098.6)
EBIT	**(1,265.8)**	**691.6**	**2,112.5**	**4,449.0**
Interest income	--	--	--	--
Interest expense	(1,511.4)	(1,015.2)	(750.6)	(415.0)
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0
Others	880.3	176.1	158.5	142.6
Pretax profits	**(1,896.9)**	**(147.5)**	**1,520.3**	**4,176.6**
Income tax	--	(39.2)	(273.7)	(814.4)
Minorities	0.0	0.0	0.0	0.0
Net income pre-preferred dividends	**(1,896.9)**	**(186.7)**	**1,246.6**	**3,362.2**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**(1,896.9)**	**(186.7)**	**1,246.6**	**3,362.2**
Post-tax exceptionals	0.0	(304.0)	0.0	0.0
Net income	**(1,896.9)**	**(490.7)**	**1,246.6**	**3,362.2**
EPS (basic, pre-except) (Rs)	(1.78)	(0.18)	1.17	3.16
EPS (basic, post-except) (Rs)	(1.78)	(0.46)	1.17	3.16
EPS (diluted, post-except) (Rs)	(1.78)	(0.18)	1.17	3.16
DPS (Rs)	0.00	0.00	0.00	0.00
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Free cash flow yield (%)	(5.0)	3.1	5.5	9.2

Growth & margins (%)	3/11	3/12E	3/13E	3/14E
Sales growth	32.4	41.0	24.9	25.5
EBITDA growth	113.8	125.8	45.7	34.2
EBIT growth	40.0	154.6	205.4	110.6
Net income growth	27.7	74.1	354.1	169.7
EPS growth	44.3	74.1	354.1	169.7
Gross margin	22.5	25.2	26.6	30.0
EBITDA margin	16.6	26.6	31.0	33.2
EBIT margin	(8.8)	3.4	8.3	14.0

Cash flow statement (Rs mn)	3/11	3/12E	3/13E	3/14E
Net income pre-preferred dividends	(1,896.9)	(186.7)	1,246.6	3,362.2
D&A add-back	3,654.0	4,700.6	5,745.5	6,098.6
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	1,880.2	3,151.6	2,699.3	3,451.8
Other operating cash flow	1,511.4	1,015.2	750.6	415.0
Cash flow from operations	**5,148.6**	**8,680.7**	**10,442.1**	**13,327.5**
Capital expenditures	(8,000.2)	(6,154.8)	(5,986.8)	(5,892.2)
Acquisitions	0.0	0.0	0.0	0.0
Divestitures	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Cash flow from investments	**(8,000.2)**	**(6,154.8)**	**(5,986.8)**	**(5,892.2)**
Dividends paid (common & pref)	0.0	0.0	0.0	0.0
Inc/(dec) in debt	6,500.0	2,000.0	(2,000.0)	(2,000.0)
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0
Other financing cash flows	(1,580.8)	(1,319.2)	(750.6)	(415.0)
Cash flow from financing	**4,919.2**	**680.8**	**(2,750.6)**	**(2,415.0)**
Total cash flow	**2,067.6**	**3,206.7**	**1,704.7**	**5,020.3**

Balance sheet (Rs mn)	3/11	3/12E	3/13E	3/14E
Cash & equivalents	7,617.8	10,824.6	12,529.2	17,549.6
Accounts receivable	475.4	670.5	837.6	1,051.1
Inventory	34.3	46.7	57.2	68.5
Other current assets	6,965.5	6,965.5	6,965.5	6,965.5
Total current assets	**15,093.0**	**18,507.3**	**20,389.6**	**25,634.7**
Net PP&E	18,697.1	20,212.1	20,529.3	20,418.2
Net intangibles	236.1	175.3	99.4	4.1
Total investments	1,561.1	1,561.1	1,561.1	1,561.1
Other long-term assets	0.0	0.0	0.0	0.0
Total assets	**35,587.4**	**40,455.8**	**42,579.4**	**47,618.2**
Accounts payable	8,185.0	11,544.1	14,421.0	18,097.6
Short-term debt	2,517.7	2,517.7	2,517.7	2,517.7
Other current liabilities	9,608.4	9,608.4	9,608.4	9,608.4
Total current liabilities	**20,311.0**	**23,670.1**	**26,547.1**	**30,223.7**
Long-term debt	13,340.3	15,340.3	13,340.3	11,340.3
Other long-term liabilities	64.9	64.9	64.9	64.9
Total long-term liabilities	13,405.1	15,405.1	13,405.1	11,405.1
Total liabilities	**33,716.2**	**39,075.3**	**39,952.2**	**41,628.9**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**1,871.2**	**1,380.5**	**2,627.2**	**5,989.3**
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**35,587.4**	**40,455.8**	**42,579.4**	**47,618.2**
BVPS (Rs)	**1.76**	**1.30**	**2.47**	**5.63**

Ratios	3/11	3/12E	3/13E	3/14E
CROCI (%)	25.7	27.1	31.7	35.0
ROE (%)	(67.3)	(30.2)	62.2	78.0
ROA (%)	(5.9)	(1.3)	3.0	7.5
ROACE (%)	(4.4)	6.0	25.9	89.6
Inventory days	1.0	1.0	1.0	1.0
Receivables days	10.6	10.3	10.9	10.9
Payable days	235.6	237.5	255.1	266.8
Net debt/equity (%)	440.4	509.5	126.7	(61.6)
Interest cover - EBIT (X)	NM	0.7	2.8	10.7

Valuation	3/11	3/12E	3/13E	3/14E
P/E (analyst) (X)	NM	NM	64.9	24.1
P/B (X)	43.2	58.6	30.8	13.5
EV/EBITDA (X)	27.3	16.3	10.7	7.3
EV/GCI (X)	3.0	3.6	3.0	2.5
Dividend yield (%)	NM	NM	NM	NM

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

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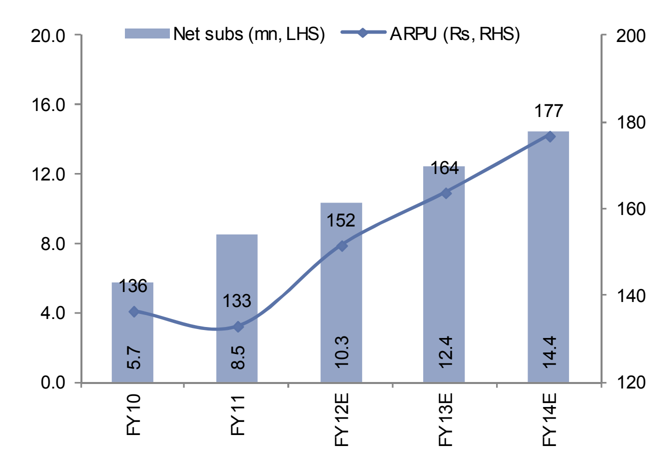
Steady uptake in festive season; digitization bodes well for Dish: Upgrade to Buy

We upgrade Dish to Buy from Neutral with a revised 12m target price of Rs95, implying 25% upside from current levels as we believe the company is well placed to show a FY11-FY14E revenue/EBITDA CAGR of 30%/64% led by 1) steady net adds and ARPU uplift helped by the mandatory digitization, and 2) improving EBITDA margin driven by operating leverage. We expect improving visibility on net profit/FCF and decent uptake in the festive season (despite a muted economic growth) to act as near-term catalysts.

Favorable risk/reward: Basis for our upgrade

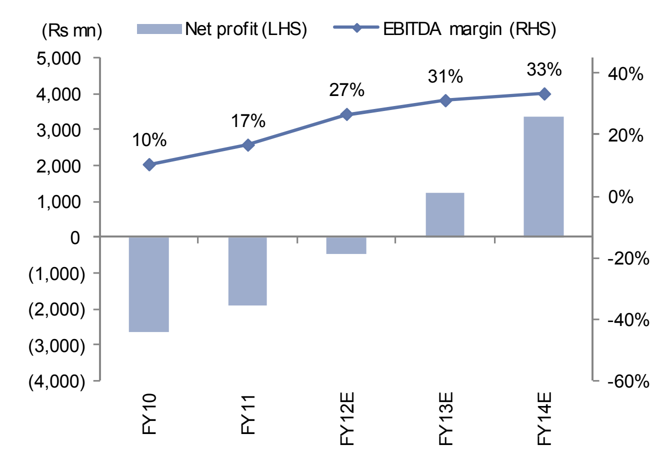
- **Estimated strong growth of revenue/EBITDA and improvement in return ratios:** We estimate Dish TV could show a strong revenue CAGR of 30% from FY11-14E driven by: 1) 10% improvement in ARPU, and 2) 20% net subs additions led by the rapid increase in the C&S penetration and the government-mandated digitization. We estimate FY11-14E EBITDA CAGR to be 64% driven by strong revenue growth/operating leverage and model in RoE/RoIC improving from -101%/-10% in FY11 to 56%/64% by FY14.
- **Improving visibility of net profit/FCF turnaround:** We expect Dish to turn net profit positive in the next quarter (3QFY12) led by strong revenue uptake in the festive season (both festivals Diwali and Dasera are in Oct) and continued EBITDA margin improvement (further aided by reversal of Rs140-150 mn related to Set-Top-Box pre-booking charge). We also expect Dish to turn FCF positive in 1QFY13, in line with company guidance. We believe consensus is not fully factoring in this turnaround and note that we are 7.7%/5.4% ahead of Bloomberg consensus for FY13/FY14 (for FY12, we estimate a normalized loss of Rs187 mn vs. consensus loss of Rs238 mn).

Exhibit 1: Steady subs adds and ARPU improvement



Source: Company data, Goldman Sachs Research estimates.

Exhibit 2: Margin improvement led by operating leverage



Source: Company data, Goldman Sachs Research estimates.

- **Dish's risk/reward favorable at current levels:** We consider the timeline for digitization (pan India digitization by Dec 2014) as aggressive given that currently c55% of total subs (c135 mn) are on analog cable and believe it will be difficult to migrate all the subs on to the digital platform in a short span of time and therefore we are not modeling full digitization by Dec 2014. However if full digitization is reached, we estimate, our implied value in our bull-case scenario (Exhibit 12) for Dish could increase to Rs120, with 58% potential upside to current price, In our bear case scenario, assuming high competition from MSOs (Multi Service Operators), our implied value goes to Rs65, implying 15% downside from current levels. We therefore find the risk/reward favorable for Dish at current levels.

Not expensive for strong growth; at low-end of historical valuation

Dish is trading at 16.3X FY12E EV/EBITDA which is at the lower end of its historical trading range (Refer to Appendix). When compared to its international peers, Dish is trading at a premium EV-EBITDA, but we believe this is justified, given its stronger EBITDA growth rate (FY11-FY14E of 64% vs. international operator's growth of 1%-11%).

Exhibit 3: Dish TV: Comparison with global peers

			Current	MCap	10-13E CAGR			EBITDA margin		P/E (X)		EV/EBITDA (X)		Div. Yield		CROCI		
Company	Ticker	Rating	Price	(US$ mn)	Sales	EBITDA	EPS	11E	12E	11E	12E	11E	12E	11E	12E	11E	12E	13E
DirecTV	DTV	Neutral	US$46.22	35,617	9%	9%	12%	25.9%	26.5%	14.1	11.0	6.8	5.8	0.0%	0.0%	21.8%	20.6%	19.8%
BSkyB	BSY.L	Buy	710.00p	18,529	7%	11%	19%	21.3%	22.5%	16.1	13.5	10.1	7.8	3.4%	3.7%	36.4%	35.5%	34.2%
Dish Network	DISH	Sell	US$25.60	11,643	4%	1%	2%	25.2%	21.9%	8.1	12.0	4.6	5.0	0.0%	0.0%	28.5%	16.8%	16.2%
Grupo Televisa	TV	Sell	US$19.64	11,394	3%	5%	2%	33.7%	34.8%	22.0	19.6	9.5	8.2	0.7%	0.7%	15.6%	14.9%	14.8%
Dish TV	**DSTV.BO**	**Buy**	**Rs77.50**	**1,672**	**30%**	**64%**	**NM**	**26.6%**	**31.0%**	**NM**	**NM**	**16.5**	**10.9**	**0.0%**	**0.0%**	**14.8%**	**18.8%**	**20.4%**

Note: 1) For Dish TV, 11E corresponds to FY12E and so on; 2) Prices based on close of October 19, 2011.

Source: Goldman Sachs Research estimates.

Where are we versus consensus?

We believe Bloomberg consensus is not fully factoring in the EBITDA margin improvement due to the operating leverage led by the strong revenue growth. So while our revenue estimates are largely in line with consensus, EBITDA is 3.6%/6.0% higher than consensus for FY13/FY14 and net profit is 7.7%/5.4% higher for FY13/FY14.

Exhibit 4: GS vs. Bloomberg consensus estimates

	GS estimates			Cons. estimates			% Variance		
(Rs mn)	12E	13E	14E	12E	13E	14E	12E	13E	14E
Revenues	20,261	25,311	31,763	20,414	25,532	31,466	-0.7%	-0.9%	0.9%
EBITDA	5,392	7,858	10,548	5,401	7,582	9,955	-0.2%	3.6%	6.0%
Adj. net profit	(187)	1,247	3,362	(238)	1,158	3,191	NM	7.7%	5.4%

Source: Bloomberg, Goldman Sachs Research estimates.

Key risks: Rupee depreciation; high competition and dilution

Continued rupee depreciation would likely impact Dish earnings as it has Rs7.5 bn in USD debt and only Rs650 mn of payout is hedged in next 12 months. We note that, in 2Q, when INR depreciated c.10% vs. USD, Dish had an impact of Rs460mn (Rs160 mn was capitalized and Rs300 mn was in P&L). In addition, as Dish imports Set-Top-Boxes, it would have a negative impact on its cash flow. Management believes the impact may be 7%-8% if INR depreciation continues.

If Dish starts offering **free set top boxes** in select areas as a way to compete aggressively with the MSOs (most of them are planning to offer free set-top boxes), then we see downside risks to our earnings and target price. However, management noted that it is not keen to offer free set top boxes as it has a competitive advantage like strong branding and HD channels.

We also consider any **potential equity dilution** due to funding constraints slated for expansion and capacity needs as a key risk to our rating and target price.

Key catalysts: Festive season uptake; digitization; HD pickup

We expect the steady earnings growth and improving competitive/regulatory environment to likely help re-rate the stock. Catalysts in the next few months:

Move towards mandatory digitization likely to aid subs additions/ARPU increase. The government's move for mandatory digitization is expected to be positive for MSOs like Den/Hathway and DTH operators as they would benefit from the analog subs migrating on their networks. Although we believe DTH operators have a better head-start over the MSOs in terms of: 1) servicing the customers as they have dedicated call-centers; 2) better brand awareness given the amount spent by DTH operators on nationwide branding; 3) Ability to offer HD channels particularly to the high ARPU urban subs (HD ARPU is c.3X average ARPU), we think digital cable operators would be better positioned over DTH operators in the urban/semi-urban areas given their intention to offer free set-top boxes. We estimate equal incremental market share between DTH and cable operators and estimate Dish to maintain its incremental market share (c.24%-25%) among DTH operators. This translates into FY11-FY14E revenue CAGR of 30%.

We believe the move towards digitization would likely lead to upside pressure on ARPUs of cable operators as the under-reporting of subs would decrease, leading to an increase in taxes and decline in carriage fees. With cable operators leading ARPU improvements, we believe DTH operators will have room to raise ARPUs as well. In our bull-case scenario, we assume full migration of analog subs to digital platforms and expect this to lead to a 26% increase in our implied value, implying 58% upside from current levels.

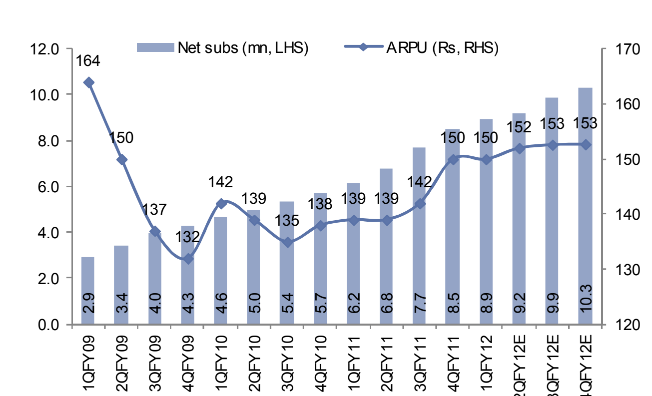
Exhibit 5: Digitization timeline as approved by the Ministry of I&B

Phase	Regions/ areas to be digitized	Timeline
Phase 1	Metros (Delhi, Mumbai, Chennai, Kolkata)	Mar '12
Phase 2	Cities with population > 1 mn (c.35 cities)	Mar '13
Phase 3	Urban areas with municipal corp./ municipalities	Sep '14
Phase 4	Pan-India	Dec '14

Source: Ministry of I&B, Goldman Sachs Research.

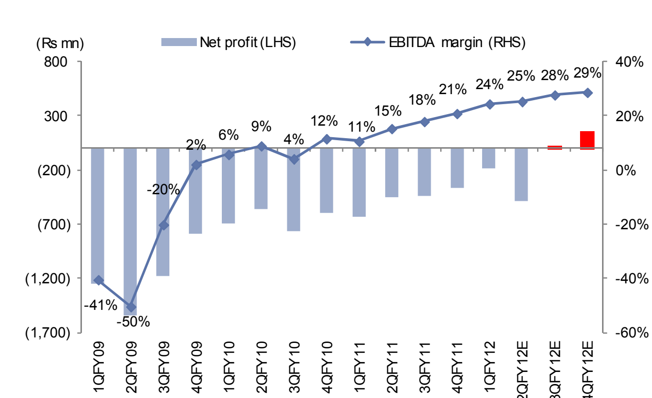
Festive season positive uptake: Dish management in 2Q earnings call mentioned that the company is witnessing a good service uptake in the run-up to the festive season (this year, both festivals Dasera and Diwali fell in the same month of Oct). Management highlighted that, in 2Q, adjusted for one-off forex loss and pre-booking amounts, it was very close to net profit breakeven and they reiterated their target of turning net profit and FCF positive in next few quarters. We expect Dish to turn net profit positive in 3QFY12 and FCF positive in 1QFY13. We do not rule out that an improving visibility of Dish turning net profit and FCF positive could also act as a positive trigger for the stock price.

Exhibit 6: Steady net adds and ARPU improvement



Source: Company data, Goldman Sachs Research estimates.

Exhibit 7: We expect DishTV to be PAT positive in 3Q



Source: Company data, Goldman Sachs Research estimates.

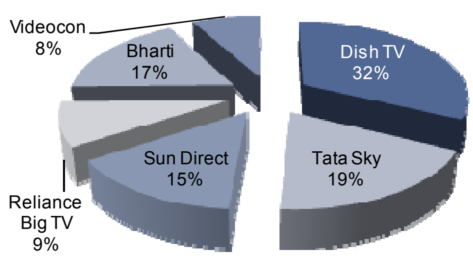
Increased demand for the high ARPU HD (High Definition) channels: While HD currently accounts for less than 10% of Dish's revenues; the demand for HD is increasing, albeit at a slower pace particularly among the urban subscribers. Management indicated that HD accounted for 5%-6% of net adds in 2Q and currently has c.45 HD channels. Dish is also reducing the entry barrier for HD subscriptions. It recently introduced "HD world Pack" which is priced at Rs375/month, much lower than its existing HD packs ("Premier" priced at Rs450 and "Royale" priced at Rs550). We consider uptake of HD positive for Dish as it has lower churn, higher ARPU (c. Rs450/month) which is 3X ARPU of a normal subscriber and a competitive advantage over its peers as Dish has better transponder capacity.

Dish TV: Competitive positioning vs. DTH peers and MSOs

Dish has first mover advantage over its DTH peers

Dish was one of the first DTH operators in India and is a market leader with c. 32% of subs market share and is likely to maintain No 1 operator position in the foreseeable future as none of its peers are gaining higher incremental market share. Based on our channel checks and discussions with DTH operators, we believe that the top 3 operators are gaining incremental market share of 24%-25% each – thus making it difficult for Dish's peers to overtake it. In addition, given Dish's better transponder capacity (c. 650 MHz) than its peers, we believe the company is better positioned to offer more high definition channels.

Exhibit 8: Subs market share of DTH operators



Source: Company data, Goldman Sachs Research estimates.

Exhibit 9: Key base-packages by DTH operators

Base packs	Set-Top-Box and Installation chgs (Rs)	Rental per month (Rs)	No. of channels in base-pack
Dish TV	1,190	165	192
Tata Sky	1,399	150	84
Sun Direct	1,142	133	112
Reliance	1,140	132	108
Bharti	1,274	158	141
Videocon	1,390	150	196

Source: Company data, Goldman Sachs Research.

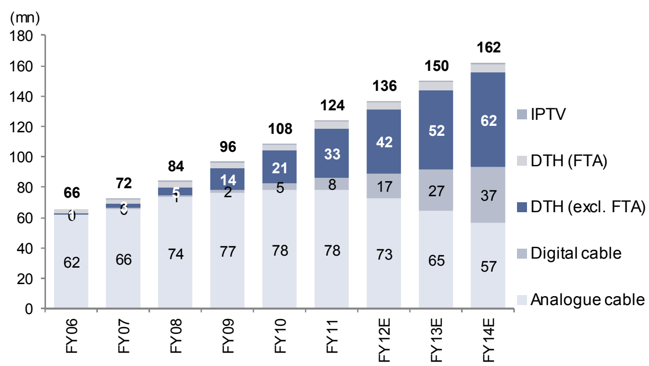
Among DTH operators, we consider Tata Sky, Bharti and Videocon as the key competitors to Dish, although off late Tata Sky's is losing net adds market share given the ARPU premium it has over its peers, in our view. We believe Videocon has established a niche by offering regional content, bundling DTH antenna with its TV sets and slightly cheaper tariffs. Sun DTH, in our view, is focused more in South India -- its stronghold and Bharti, we believe is focusing on offering bundled/triple play services. We expect Reliance's Big TV to lose market share as we believe it's strategy is not as effective as anticipated.

Over MSOs, Dish leads in branding/customer servicing abilities

We note that in the last 12 months, the MSOs like Den and Hathway have added combined net adds of less than 1mn, vs. 6mn added by the DTH operators, implying weaker execution by MSOs in the voluntary digitization process. We believe the DTH operators have a better head start over the MSOs in terms of: 1) servicing the customers as they have dedicated call-centers; 2) better brand awareness given the amount spend by DTH operators on nationwide branding; 3) Ability to offer HD channels particularly to the high ARPU urban subs (HD ARPU is c. 3X average ARPU).

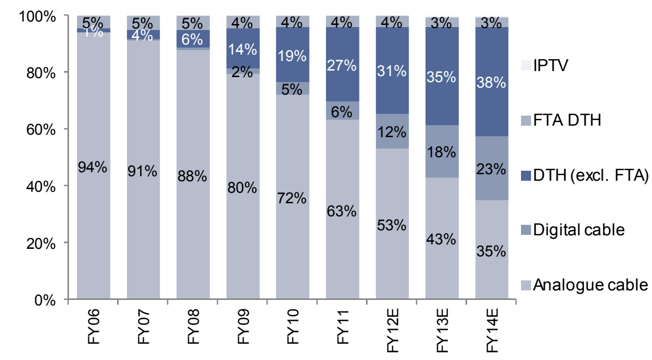
However we think that digital cable operators would be better positioned over DTH operators in the urban/semi-urban areas given their intention to offer free set-top boxes and, hence, attract a larger portion of urban subs. We note that the key stronghold of DTH operators is in semi-urban/rural areas where cable operators find it difficult to service customers given the scarcely populated market (we est. c. 26% of Dish's subs are from urban areas). Currently, we have modeled almost equal incremental net adds market share for Digital cable and DTH operators for next few years.

Exhibit 10: Rapid increase in C&S subs/penetration



Source: Company data, Goldman Sachs Research estimates.

Exhibit 11: We expect DTH to continue to increase share



Source: Company data, Goldman Sachs Research estimates.

Scenario analysis indicates favorable risk/reward

We find the risk reward scenario favorable for Dish as we see a 58% upside if the digitization targets are met and 15% downside from current levels if competition from MSOs picks up. In the **Bear-case scenario**, we assume slower net adds, lower ARPU and subsidies on set-top boxes. Our implied value is Rs65, implying 15% downside to CMP in this scenario. In our **Bull-case scenario**, we assume digitization-led demand leads to higher-than-expected industry subs additions and Dish is able to maintain its market share. Our implied value is Rs120, offering 58% upside to CMP.

Exhibit 12: Scenario analysis: Risk/reward is attractive

	Base-case			Bull-case			Bear-case		
(Rs mn)	**FY12E**	**FY13E**	**FY14E**	**FY12E**	**FY13E**	**FY14E**	**FY12E**	**FY13E**	**FY14E**
Implied value (Rs)		**95**			**120**			**65**	
% upside to CMP		25%			58%			-15%	
Valn. at implied value									
P/E (X)	NM	81.0	30.0	NM	83.8	30.7	NM	74.5	30.6
EV/EBITDA (X)	20.0	13.2	9.2	23.6	14.7	9.6	14.6	11.1	8.9
Valn. at CMP									
P/E (X)	NM	64.9	24.1	NM	54.0	19.8	NM	88.6	36.4
EV/EBITDA (X)	16.3	10.7	7.3	15.6	9.5	5.9	17.2	13.0	10.5
(Rs mn)	**FY12E**	**FY13E**	**FY14E**	**FY12E**	**FY13E**	**FY14E**	**FY12E**	**FY13E**	**FY14E**
Revenues	20,261	25,311	31,763	21,158	27,904	36,545	19,663	22,128	24,987
% yoy	*41%*	*25%*	*25%*	*47%*	*32%*	*31%*	*37%*	*13%*	*13%*
EBITDA	5,392	7,858	10,548	5,656	8,728	12,262	5,216	6,790	8,118
EBITDA margin	*26.6%*	*31.0%*	*33.2%*	*26.7%*	*31.3%*	*33.6%*	*26.5%*	*30.7%*	*32.5%*
Net profit	(491)	1,247	3,362	(156)	1,522	4,158	(233)	928	2,260
EPS (Rs)	**(0.18)**	**1.17**	**3.16**	**(0.15)**	**1.43**	**3.91**	**(0.22)**	**0.87**	**2.13**

Source: Goldman Sachs Research estimates.

We increase our FY12E/13E/14E revenue and EBITDA by 2.4%/7.3%/16.1% and 4.5%/ 27.9%/37.3% respectively to factor-in continued strong execution after the company beat our 2QFY12 revenue/EBITDA estimates. Accordingly our FY13E/ FY14E EPS increases to Rs1.17/Rs3.16 from Rs0.22/Rs1.55 (FY12 EPS changes to -Rs0.18 from –Rs0.33 led by a forex loss in 2Q). Consequently, our 12-m DCF-based target prices increase to Rs95 (prev. Rs46).

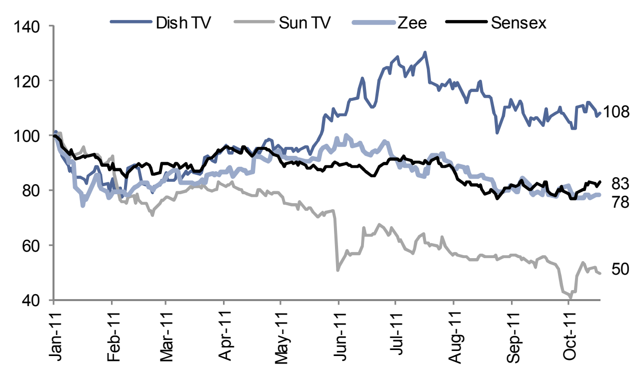
Exhibit 13: Dish TV: Our old vs. new estimates

	New estimates			Old estimates			% Change		
(Rs mn)	**12E**	**13E**	**14E**	**12E**	**13E**	**14E**	**12E**	**13E**	**14E**
Revenues	20,261	25,311	31,763	19,791	23,583	27,359	2.4%	7.3%	16.1%
EBITDA	5,392	7,858	10,548	5,159	6,145	7,685	4.5%	27.9%	37.3%
Net profit	(187)	1,247	3,362	(356)	232	1,643	NM	436.4%	104.6%
TP (Rs)		**95**			**46**			**107.5%**	

Source: Goldman Sachs Research estimates.

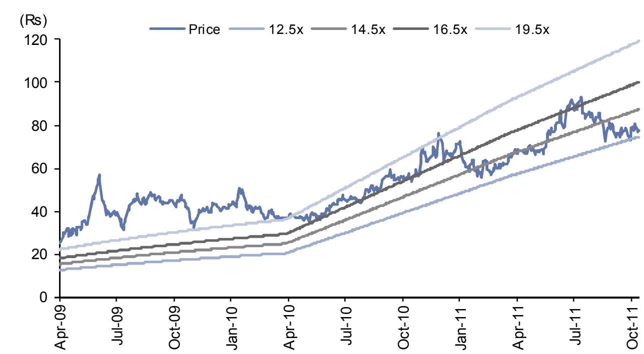
Appendix: Dish is trading at lower-end of historical EBITDA range

Exhibit 14: YTD price performance of media companies



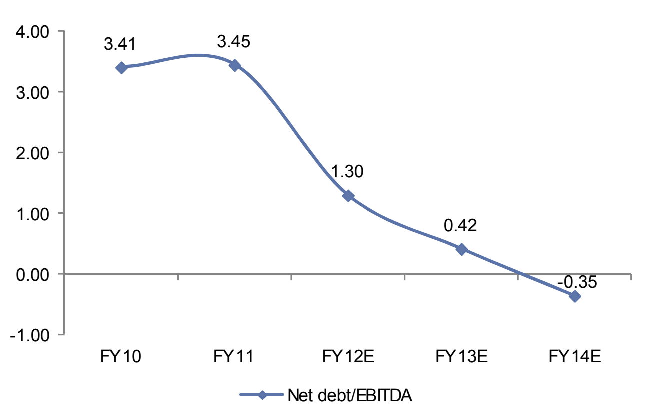
Source: Datastream, Goldman Sachs Research.

Exhibit 15: Dish TV's 1-yr fwd EV/EBITDA band chart



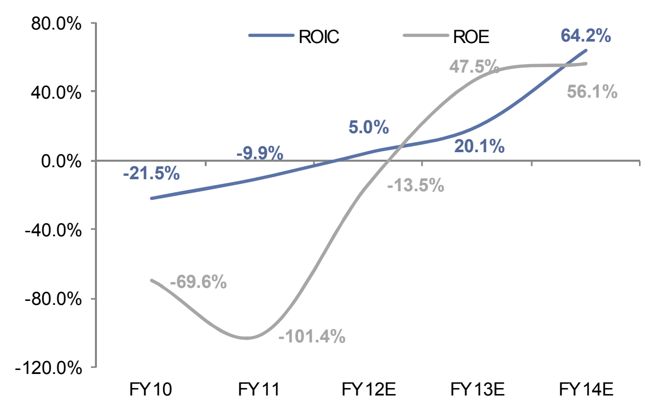
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 16: Dish TV's net debt/EBITDA



Source: Company data, Goldman Sachs Research estimates.

Exhibit 17: We expect return ratios to improve



Source: Company data, Goldman Sachs Research estimates.

Reg AC

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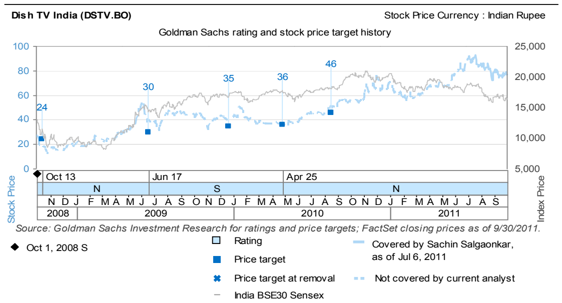

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