



Dish TV

Relative to sector: **Underperformer**

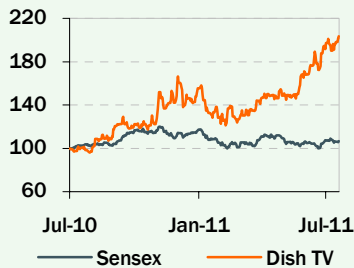
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 1,064 mn
Market cap	: Rs 94.8 bn
52 week high/low	: Rs 94/ Rs 44
Avg. daily vol. (6mth)	: 3.3 mn shares
Bloomberg code	: DITV IB
Reuters code	: DITV.BO

Shareholding (%) Jun-11 QoQ chg

Promoters	: 64.8	(0.0)
FIs	: 11.1	2.1
MFs / UTI	: 5.1	(0.2)
Banks / FIs	: 1.1	0.0
Others	: 17.9	(1.9)

Financial summary

Y/E Mar	Sales (Rs mn)	EBITDA (Rs mn)	PAT (Rs mn)	RoCE (%)	EV/ EBITDA (x)	Net Subs (mn)
2010	10,848	947	(2,620)	(10.3)	-	5.7
2011	14,366	2,386	(1,897)	(1.6)	40.9	8.5
2012E	20,418	5,469	45	3.7	17.5	10.3
2013E	24,960	7,817	1,578	7.8	12.7	12.2

Source: Company, ENAM estimates

CONCERNS ON HIGHER CHURN & FLAT ARPU; LOWER SAC A POSITIVE

Dish TV declared **standalone revenues of Rs 4.6 bn** – up 6% QoQ (vs. Rs 4.3 bn in Q4FY11), **EBITDA of Rs 1.1 bn** – up 24% QoQ (vs. Rs 901 mn in Q4FY11) & lower **net loss of Rs 183 mn** (vs. loss of Rs 371 mn in Q4FY11) in Q1FY12. Flat ARPU at Rs 150 QoQ and higher churn rate of 1.1% per month (vs. 1% in Q4FY11) are the key concerns. However, lower SAC at Rs 2,058 is a positive.

Key highlights

- ❑ **ARPU remained flat** QoQ at Rs 150 due to higher churn and lesser HD subs additions (5% of incremental subs addition versus 8-10% in Q4FY11). Mgmt guided exit quarter ARPU of Rs 165 for FY12E; however, we estimate exit quarter ARPU at Rs 157.
- ❑ **Churn rate at 1.1% p.m.** is mainly due to: (a) higher churn among low value subscribers, and (b) absence of sports events during the quarter. Dish TV has raised STB price by Rs 200 to counter this higher churn.
- ❑ **Q1FY12 SAC** came at Rs 2,058 (vs. Rs 2,224 in Q4FY11) which reflects easing of competitive intensity.
- ❑ **EBITDA margin** expanded to 24.4% in Q1FY12 (vs. 20.8% in Q4FY11) as programming costs as a percentage of revenues fell to 34%.
- ❑ Dish TV is fully funded to add another ~3mn subscribers and expects its internal accruals to fund subs additions from thereon.

Outlook

Rapid build-up in subs base, higher APRU and lower competitive intensity **augur well for Dish TV**. Owing to lower SAC, we revise our FY13E EBITDA upwards to Rs 7.8 bn (from Rs 7.35 bn). Consequently, we revise our TP to **Rs. 84** (vs. Rs 81 earlier) based on 12x EV/EBITDA multiple on FY13E. Further, given the recent correction in stock price, we upgrade Dish TV to **HOLD** rating with a **downside of 6%** from CMP of Rs 89.

Results update

(Rs mn)	Quarter ended					12 months ended		
	Jun-11	Jun-10	% Chg	Mar-11	% Chg	FY12E	FY11	% Chg
Net Sales	4,603	3,043	51.3	4,330	6.3	20,418	14,366	42.1
EBITDA	1,121	322	-	901	24.4	5,469	2,386	-
Other income	137	69	99.8	188	(27.1)	230	880	(73.9)
PBIDT	1,258	390	-	1,089	15.5	5,699	3,266	74.5
Depreciation	1,107	889	24.6	1,020	8.5	4,670	3,653	27.8
Interest	334	133	-	440	(24.1)	985	1,511	(34.8)
PAT	(183)	(632)	-	(371)	-	45	(1,897)	-
No. of shares (mn)	1,064	1,063		1,063		1,064	1,063	-
EBITDA margin (%)	24.4	10.6		20.8		26.8	16.6	-
PBIDT margin (%)	27.3	12.8		25.2		27.9	22.7	-
EPS - annualized (Rs.)	(0.7)	(2.4)	-	(1.4)	-	0.0	(1.8)	-

Source: Company, ENAM Research

Other highlights

- ❑ **Revenue break-up:** Dish TV reported **subscription revenue of Rs 3.92 bn** and **rental income of Rs 550 mn** during Q1FY12. Dish TV added 0.72 mn gross subscribers (0.42 mn net subs), with churn increasing to 1.1% p.m. for the qtr.
- ❑ **Gross debt and cash, at the end of Q1FY12, stood at Rs 10.5 bn and Rs 3.7 bn respectively.**

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