Equity Research
February 22, 2011
BSE Sensex: 18438

Media

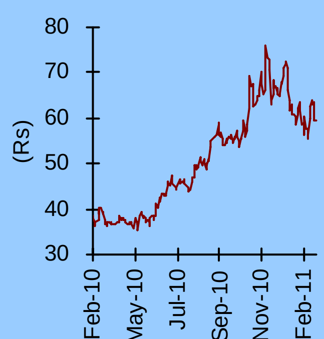
Target price Rs77

Shareholding pattern

	Jun '10	Sep '10	Dec '10
Promoters	64.8	64.8	64.8
Institutional investors	23.5	25.2	25.5
MFs and UTI	5.7	5.0	5.1
Insurance Cos.	1.1	1.1	1.1
FIIs	16.7	19.1	19.3
Others	11.7	10.0	9.7

Source: NSE

Price chart



Vikash Mantri, CFA
vikash.mantri@icicisecurities.com
+91 22 6637 7161
Satish Kothari
satish.kothari@icicisecuritieis.com
+91 22 6637 7510

INDIA

ICICI Securities

Dish TV

BUY

Riding the DTH wave

Rs59

Reason for report: Initiating coverage

"When it comes to estimating future earnings few analysts are willing to venture forth, Columbus-like, on completely uncharted seas. They prefer to start with known quantities – e.g., current or past earnings – and process these in some fashion to reach an estimate for the future" **– Benjamin Graham**

We initiate coverage on Dish TV with a BUY and a target price of Rs77/share. Dish TV is set to tap most of the exponential growth in the Indian Pay TV market (akin to Telecom growth), led by rising affluence and regulatory push to digitalisation. India is evolving towards direct-to-home (DTH) as digital cable has failed to rise up to the challenge owing to poor funding and execution, and last-mile concerns. Dish TV, after making a head start backed by the first-mover advantage, has been able to maintain its incremental market share as it has aggressively invested in subscriber acquisition. In our view, Dish TV will turn FCF positive in FY13 and PAT positive in FY14, with its revenues growing 3x through FY11E-15E. Our target price assumes an upside of 31% from the current levels – a further upside of 27% (Rs16/share) exists if the licence fee is reduced to 6% as proposed. Our DCF based target price assumes an EV/sub/ARPU of 40x FY13E, in line with global peers. Initiate with BUY.

- **DTH growth in India – *Citius*, *Altius*, *Fortius*.** DTH growth surpassed consensus estimates as India added 12mn+ subscribers in CY10 and will likely maintain the momentum. We expect digital cable to be marginalised in India as funding and execution concerns persist.
- **Dish TV, the largest DTH player with huge first-mover advantage** in spite of the market expanding to a six-player market. At present, Dish TV enjoys leadership in the space and has the highest incremental market share of net adds.
- **Key risks** are: i) regulatory uncertainty on taxes and restrictions on pricing, ii) intensifying competition, iii) improving financial health of cable companies and iv) consolidation in the cable space.

Market Cap	Rs62.3bn/US$1.4bn
Reuters/Bloomberg	DSTV.BO/DITV IN
Shares Outstanding (mn)	1,063
52-week Range (Rs)	76/35
Free Float (%)	35.2
FII (%)	19.3
Daily Volume (US$'000)	5,210
Absolute Return 3m (%)	(11.9)
Absolute Return 12m (%)	51.2
Sensex Return 3m (%)	(7.6)
Sensex Return 12m (%)	13.6

Year to March	FY10	FY11E	FY12E	FY13E
Revenue (Rs mn)	10,850	14,050	19,641	25,660
Net Income (Rs mn)	(2,623)	(2,512)	(1,702)	(256)
EPS (Rs)	(2.5)	(2.4)	(1.6)	(0.2)
% Chg YoY	NM	NM	NM	NM
P/E (x)	NM	NM	NM	NM
CEPS (Rs)	0.6	1.4	2.9	5.3
EV/E (x)	65.4	34.8	18.9	10.9
Dividend Yield (%)	-	-	-	-
RoCE (%)	(22.5)	(14.0)	(6.4)	6.5
RoE (%)	NM	NM	NM	NM

TABLE OF CONTENTS

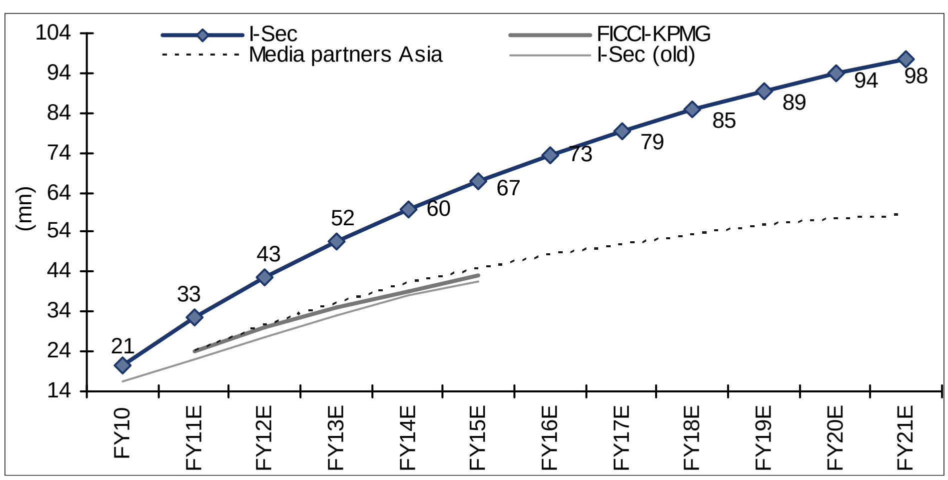
Investment argument

Dish TV stands to benefit the most from the imminent J curve in the Indian Pay TV market (which is going the Telecom way), led by rising affluence and regulatory push to digitalisation. India will evolve to being a DTH country as digital cable has failed to rise up to the challenge owing to poor funding and execution, and last mile concerns. Dish TV, after having a head start backed by the first-mover advantage, has been able to maintain its incremental market share – it has aggressively invested in subscriber acquisition. We expect subscriber acquisition cost (SAC), ARPUs and churn, the key operating parameters to witness a sea change as the industry evolves and the benefits kick in. Dish TV will turn FCF positive in FY13 and PAT positive in FY14, with revenues growing 3x in the next five years. We initiate coverage on Dish TV with a BUY and a target price of Rs77/share. Our target price assumes an upside of 31% from the current levels and a further upside of 27% (Rs16/share) exists if the licence fee is reduced to 6% as proposed. Key risks to our call are regulatory concerns (on taxes), intensifying competition and digital cable.

#1 – DTH growth in India – *Citius, Altius, Fortius*

The Indian DTH space is at an inflection – 12.4mn subscribers were added in CY10 (growing 66%). DTH growth has largely been voluntary as viewers demand more choice in terms of channels (it offers 100+ channels) versus the choked bandwidth in analogue (~25 channels). While compulsory regulation-led digitalisation has been limited to metros till now, the recent recommendation (compulsory digitalisation in a phased manner with the sunset date as March 31, ’15) is likely to give the much needed push. Digital cable, in our view, will be marginalised by DTH as organised players enjoy funding visibility and high service standards, whereas execution and fund raising for digital cable lags.

Chart 1: DTH growth beats Street estimates

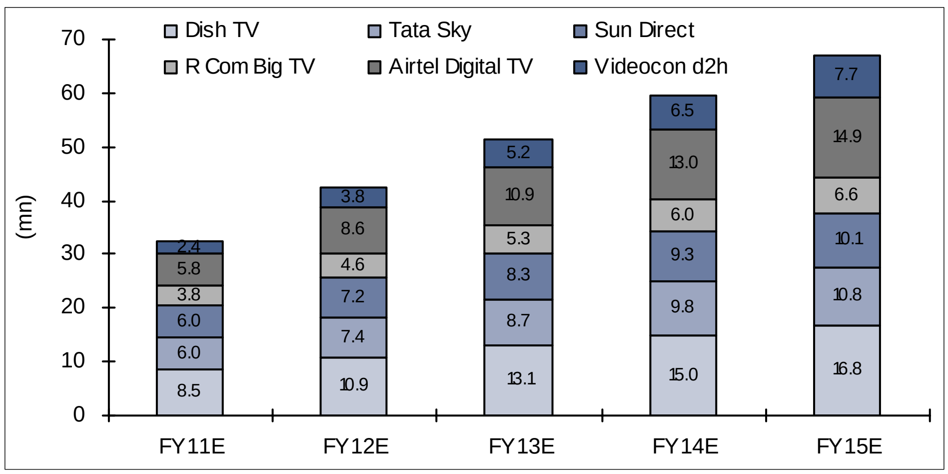


Note: For MPA and FICCI-KPMG, FY11 indicates year ending December ’10
Source: FICCI-KPMG, MPA India 2010, I-Sec Research

#2 – Dish TV leading the growth curve

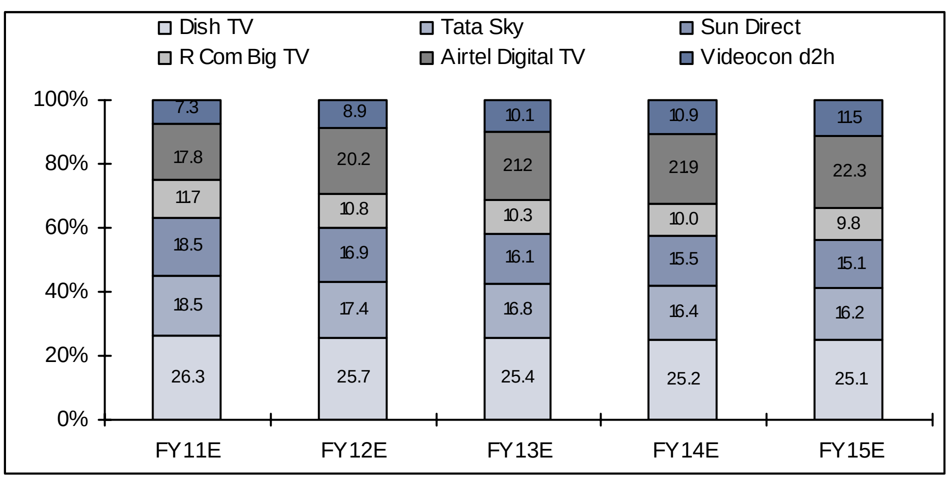
Dish TV, the pioneer in DTH in India, enjoys the first-mover advantage in terms of scale (7.7mn net subscribers as of December'10). While the DTH space has now evolved into a six-player industry, Dish TV has been able to hold on to its leadership and garner a lion's share in net additions. Dish TV, owing to the first-mover advantage, has been able to build a stronger distribution network and has actively competed with big telecom players such as Bharti Airtel (Airtel Digital TV) and Reliance Communications (Big TV). Also, Dish TV has been able to actively tap the equity market to raise the much needed capital to fund the initial SAC. Dish TV has already achieved EBITDA break-even – we expect FCF break-even in FY13 & PAT break-even in FY14.

Chart 2: Dish TV to add 8.25mn net subscribers over FY12E-15E



Source: Company data, I-Sec Research

Chart 3: Dish TV to maintain one-fourth of market share

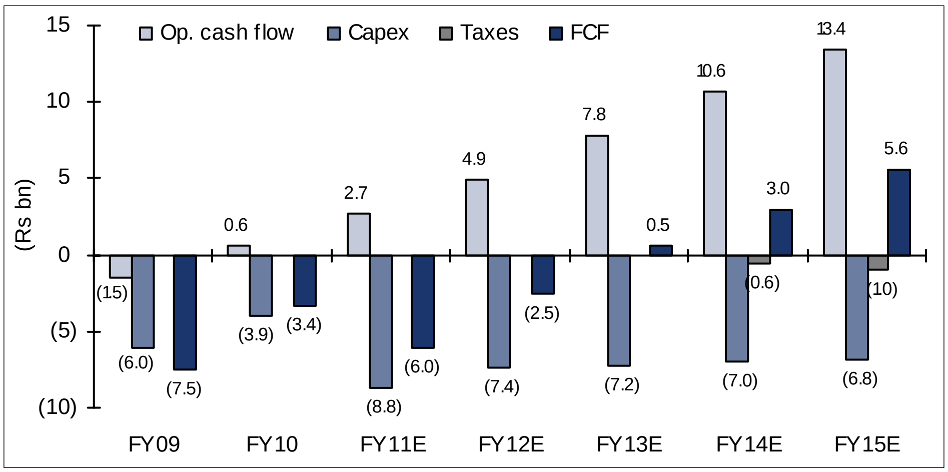


Source: Company data, I-Sec Research

#3 – Dish TV to achieve FCF break-even in FY13

We expect Dish TV to achieve FCF break-even in FY13 given the high expected run rate in subscriber addition through FY11-13, leading to increased initial SAC. We expect Dish TV to generate positive free cashflow of Rs9.1bn through FY13E-15E and the dividend payout will likely start from FY14. Dish TV's initial capex during FY12E-13E will be Rs14.6bn, which can be managed through internal accruals and debt funding – we do not envisage any equity raising by the company.

Chart 4: Dish TV will generate over Rs9.1bn cash through FY13E-15E



Source: Company data, I-Sec Research

Table 1: Key projections

	FY09	FY10	FY11E	FY12E	FY13E	FY14E	FY15E
Industry DTH subscribers (mn)	13.1	20.5	32.5	42.5	51.5	59.6	66.9
Dish TV net subscribers (mn)	4.3	5.7	8.5	10.9	13.1	15.0	16.8
ARPU (Rs/month)	130	140	138	147	161	174	187
DTH revenues (Rs mn)	5,897	8,353	11,725	17,398	23,750	30,010	36,404
EBITDA (Rs mn)	(1,233)	1,116	2,099	3,869	6,676	9,562	11,927
EBITDA margin (%)	(16.7)	10.3	14.9	19.7	26.0	29.9	31.1
PAT (Rs mn)	(4,807)	(2,623)	(2,512)	(1,702)	(256)	1,619	3,117

Source: Company data, I-Sec Research

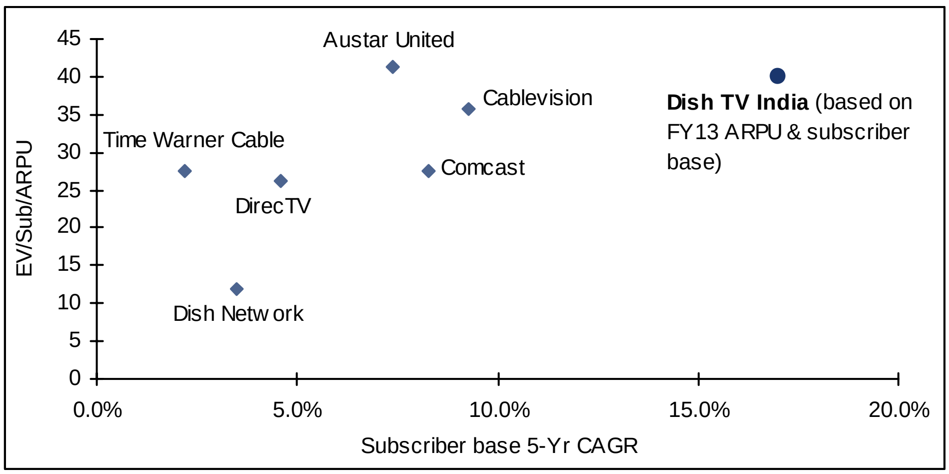
Valuations

Initiate with BUY – DCF target price at Rs77

We value Dish TV on DCF as it best captures the lifetime customer value. Short-term cashflows and profitability for Dish TV are stretched owing to high upfront SAC. However, importantly, DCF valuation is highly sensitive to ARPUs, net sub addition and stable state margin. Also, key operating metrics – ARPUs, sub addition, churn and content cost – are highly volatile and will take time to stabilize. Our target price assumes an upside of 31% from the current levels and a further upside of 27% (Rs16/share) exists if the licence fee is reduced to 6% as proposed (from the current 10%).

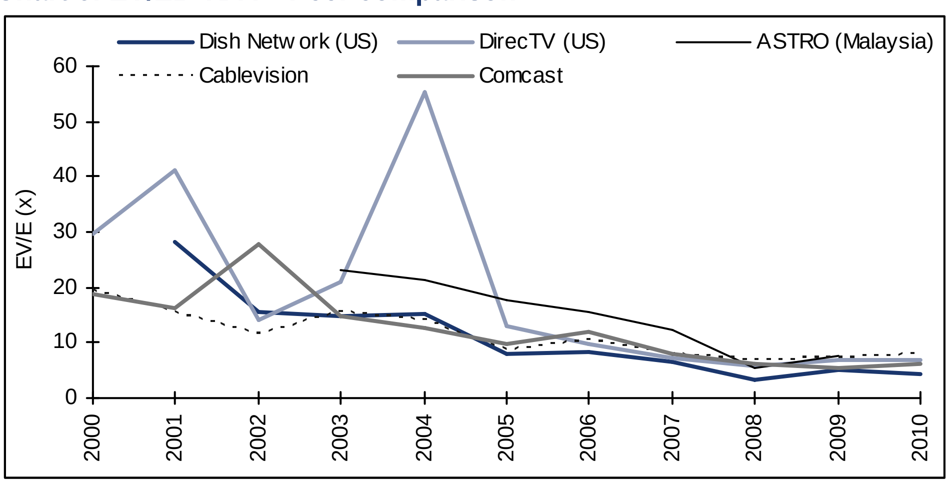
For the purpose of peer comparison, our target price assumes a value of 40x EV/sub/ARPU on FY13 subscriber base, in line with global peers. Also, our target price assumes FY13E EV/EBITDA of 16x, high versus the global range of 6-8x. However, globally, players in the initial period have also traded at an EV/EBITDA of 14-16x.

Chart 5: EV/ARPU/subscriber comparison



Note: EV for Dish Network, DirecTV, Cyfrowy as per Q3CY10, Cablevision, Comcast, Time Warner as per end-'10 and Austar as per end-'09
Source: Company data, Bloomberg, I-Sec Research

Chart 6: EV/EBITDA – Peer comparison



Source: Bloomberg

DCF value at Rs77/share

Table 2: DCF model

(Rs mn)

	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
Key assumptions											
Industry DTH subscribers (mn)	32.5	42.5	51.5	59.6	66.9	73.5	79.4	84.7	89.5	93.8	97.6
Dish TV net subscribers (mn)	8.5	10.9	13.1	15.0	16.8	18.4	19.8	21.1	22.2	23.2	24.2
ARPU (Rs/month)	138	147	161	174	187	199	212	226	240	254	269
DTH revenues	11,725	17,398	23,750	30,010	36,404	42,951	49,671	56,583	63,708	71,066	78,681
DCF											
EBIT	(1,862)	(921)	797	3,121	4,890	7,773	10,523	13,336	16,252	19,277	22,419
NOPAT	(1,862)	(921)	797	2,497	3,912	6,218	6,977	8,842	10,775	12,781	14,864
Depreciation & amortisation	3,960	4,790	5,879	6,441	7,037	6,625	6,381	6,179	5,984	5,798	5,618
Capex	(8,754)	(7,407)	(7,217)	(7,026)	(6,834)	(6,645)	(6,458)	(6,274)	(6,094)	(5,918)	(5,747)
Net change in working capital	611	1,045	1,082	1,060	1,466	1,276	1,080	877	666	446	214
Free cashflow	**(6,045)**	**(2,493)**	**541**	**2,972**	**5,580**	**7,474**	**7,980**	**9,624**	**11,332**	**13,106**	**14,949**
Terminal value (PV FY12)		64,451									
Enterprise value (FY12)		**94,097**			**Assumptions**						
Net debt (FY12)		12,215			WACC (%)	12.5					
Equity value (FY12)		**81,883**			Exit EV/E (x)	7.5					
Total value/share (Rs)		**77.0**									

Source: I-Sec Research

Table 3: Valuations highly sensitive to ARPU assumptions

		WACC (%)				
	77.0	11.5	12.0	12.5	13.0	13.5
Terminal growth (%)	4.0	84	76	69	63	58
	4.5	89	80	73	66	61
	5.0	**95**	**85**	**77**	**70**	**64**
	5.5	101	91	82	74	67
	6.0	109	97	87	78	71
		WACC (%)				
	77.0	11.5	12.0	12.5	13.0	13.5
Licence fee @ (%)	6.0	113	102	**93**	85	78
		WACC (%)				
	77.0	11.5	12.0	12.5	13.0	13.5
ARPU growth	-1%	81	73	66	60	54
	Base case	**95**	**85**	**77**	**70**	**64**
	+1%	109	98	89	81	74
		WACC (%)				
	77.0	11.5	12.0	12.5	13.0	13.5
Content cost as a % of ARPU	-1%	99	89	80	73	67
	Base case	**95**	**85**	**77**	**70**	**64**
	+1%	91	81	74	67	61

Source: I-Sec Research

Table 4: Global peers – Valuations

	M. Cap	EV/EBITDA (x)			P/B (x)			P/E (x)		
	(US$mn)	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Dish TV India	1,392	34.8	18.9	10.9	NM	NM	NM	NM	NM	NM
Austar United	1,311	5.5	5.0	4.6	(3.9)	(2.8)	(3.3)	27.9	21.5	17.2
Sky Network Television	1,652	9.0	7.5	7.1	1.9	1.7	1.6	23.3	18.1	15.2
Sky Perfect	1,290	3.6	3.7	3.6	0.7	0.6	0.6	15.1	32.5	20.0
British Sky Broadcasting	21,263	12.6	10.3	9.0	48.9	15.3	9.8	25.6	18.9	15.6
Cyfrowy Polsat	1,389	9.7	6.8	5.6	8.7	3.5	2.6	14.6	14.8	11.9
Virgin Media	9,118	7.4	6.9	6.6	5.3	5.6	4.3	-	58.2	15.3
Cablevision Systems	10,898	9.0	8.0	7.7	(1.7)	(1.7)	(1.6)	29.1	18.7	14.5
Comcast Corp	69,422	6.5	5.8	5.6	1.3	1.2	1.2	20.0	16.8	14.5
DirecTV	36,926	7.2	6.6	6.0	28.2	(25.3)	(7.2)	18.9	14.6	11.2
Dish Network (US)	10,394	4.8	4.4	4.6	(11.0)	147.5	12.7	10.7	9.6	10.2
Time Warner Cable	25,631	6.7	6.4	6.1	2.7	2.9	2.9	20.2	16.1	13.1

Source: I-Sec Research, Bloomberg as of February 18, '11; for international companies, FY11 indicates year ending December '10 (similar for FY12 and FY13)

DTH growth in India – *Citius, Altius, Fortius*

The Indian DTH space grew 66% to 30.6mn, adding 12.4mn subscribers in CY10. We see this growth now accelerating to 67mn by '15E as both supply-side (many players, evolving ecosystem and regulatory support) and demand-side factors (rising content appetite and affluence) come into play in tandem.

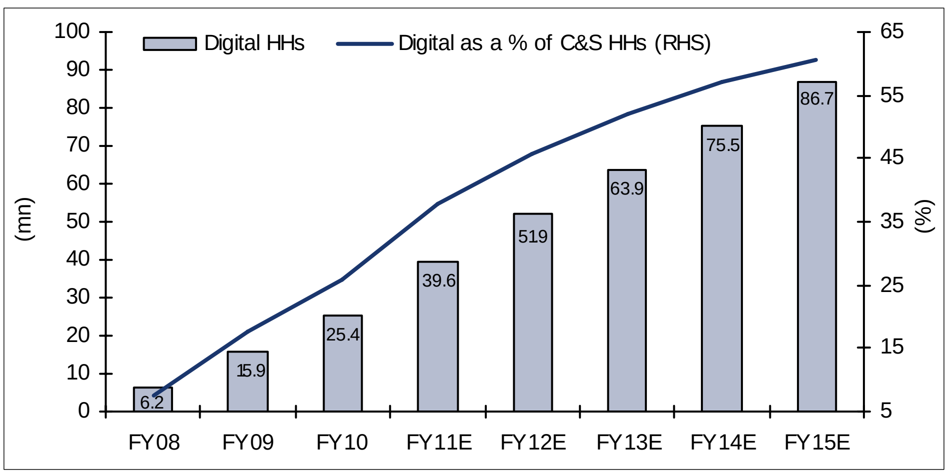
Table 5: Indian Pay TV market

(mn)

	FY08	FY09	FY10	FY11E	FY12E	FY13E	FY14E	FY15E
Total HHs	214.4	219.8	225.3	231.0	235.6	240.4	245.2	250.1
TV HHs	114.7	120.9	127.3	134.0	142.6	151.4	160.6	170.1
C&S HHs	84.3	90.4	98.4	105.0	113.3	122.7	132.5	142.9
Digital HHs	6.2	15.9	25.4	39.6	51.9	63.9	75.5	86.7
- Cable	1.3	2.5	4.3	6.0	8.1	10.8	14.0	17.5
- DTH	4.9	13.1	20.5	32.5	42.5	51.5	59.6	66.9
- IPTV	0.0	0.4	0.6	1.1	1.3	1.6	1.9	2.3
% Analogue	92.6	82.4	74.2	62.3	54.2	47.9	43.0	39.4
% Digital	7.4	17.6	25.8	37.7	45.8	52.1	57.0	60.6
% Digital Cable	1.5	2.7	4.4	5.7	7.1	8.8	10.6	12.3
% DTH	5.8	14.5	20.8	31.0	37.5	42.0	45.0	46.8
% of IPTV+ HITS	0.0	0.4	0.6	1.0	1.2	1.3	1.4	1.6

HH: Households; Source: I-Sec Research

Chart 7: Rising digitalisation, a given



Source: I-Sec Research

Table 6: DTH ARPU expected to grow fastest by industry

(Rs)

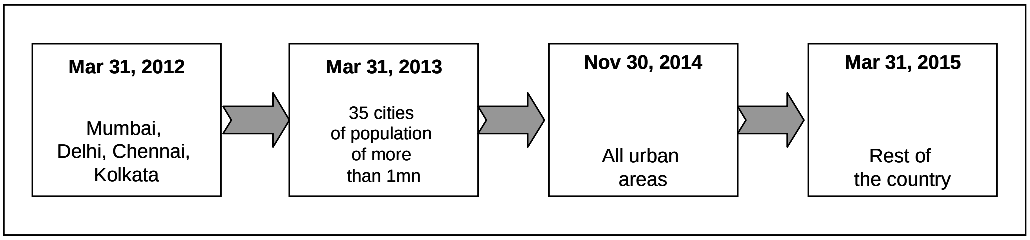
ARPU	2009	2010E	2011E	2012E	2013E	2014E
Analog	160	160	165	165	170	170
Digital	160	160	170	180	201	226
DTH	150	150	159	169	189	211
IPTV	160	160	170	180	201	226

Source: FICCI-KPMG 2010

Digitalisation – Key drivers

- **Regulatory compulsions as regards digitalisation** with the analogue sunset date as March 31, '15. The Government has set March 31, '15 as the sunset date for analogue cable, which is aggressive but will provide the much needed push to digitalisation. While the earlier deadlines have not been met, voluntary digitalisation will be the key in our view. We factor in 61% digitalisation by '15E.

Chart 8: Aggressive digitalisation timeline set by the Government



Source: I-Sec Research

- **Entrepreneurship will drive digitalisation and reduce Pay TV menace.** The broadcasters have been heavily plagued by the convoluted structure of Pay TV industry, which led to massive under-declaration and high carriage fees. To overcome this, broadcasting promoters have doubled up as distribution companies, promoting digitalisation to reduce the menace of carriage costs and under-declaration. Broadcasters will continue to promote digitalisation through subsidising content costs.

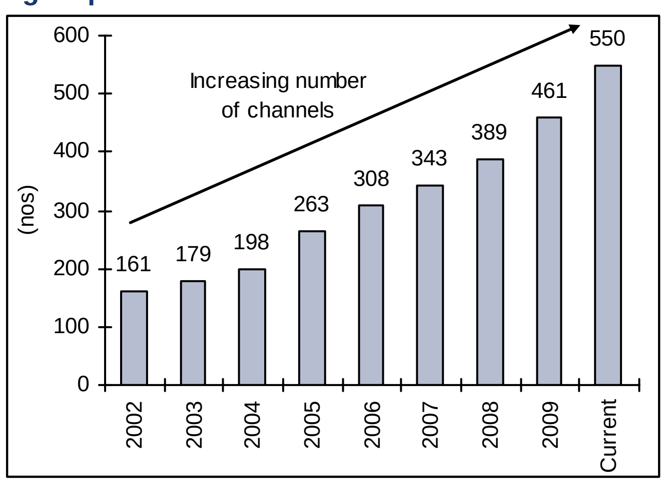
- **Consumers will shift to the digital platform as it offers more choice.** The analogue cable network is choked and is unable to whet the rising appetite of the Indian consumer. The Indian broadcasting space has witnessed a manifold increase in the number of channels, especially in the regional space. The analogue cable network can provide only 20-30 channels (with reasonable picture quality), whereas digital platforms provide >125 channels. As per TAM, consumers on the digital platform surf 43 channels on an average versus 31 for analogue. With ARPUs from the digital platforms at analogue levels and initial set-up cost subsidised aggressively, consumers will shift to the digital platform.

Table 7: Channel capacity in analogue is limited

Band	No of channels
Prime	11
Colour/Mid	6
S Band	19
Hyper band	20
UHF	All other channels

Source: I-Sec Research

Chart 9: High number of channels driving shift to digital platform



Source: I-Sec Research, TAM

Digital cable's loss is DTH's gain

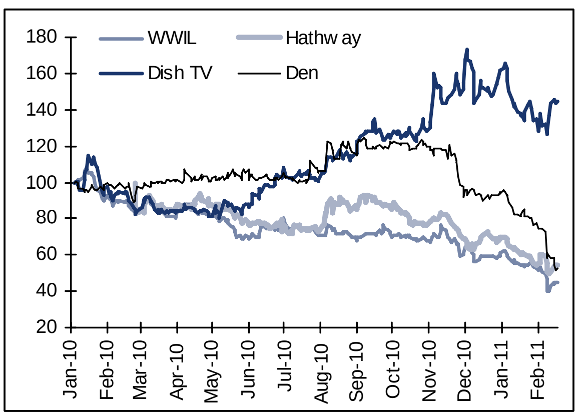
In our view, digitalisation in India is still evolving as digital cable lags behind the growth curve owing to poor funding and inability to consolidate the last mile. At present, there are six major national multiple system operators (MSOs) – Hathway, Incable, Den, Digicable, WWIL and YOU Broadband but the last mile is owned by 60,000 local cable operators (LCOs) – While digital cable has been able to digitalise only 6mn subs, DTH companies have acquired ~30mn subs. DTH can bypass the last mile hurdle posed by LCOs, which will act as the key driver for swift execution and penetration.

Table 8: DTH better placed than digital cable

	DTH	Cable
Access to capital	High	Low
	Strategic investments from Sky, Astro and Apollo (PE)	Recent access - IPOs
Parent	Forward integration by broadcasters	Backward integration by MSO
	Dish TV – ZEEL; Tata Sky - Star; Sundirect - Sun	Hathway, Star Den, WWIL – ZEEL
Last mile	Direct reach	Dependent on LCOs
Triple play	No	Yes
Capex and SAC	High	Low
	Investment in STBs and Dish Rs2,200-2,500/ subscriber	Only STBs; Rs500-1,000/subscriber
Regulatory	Indifferent	Needs compulsory digitalisation

Source: I-Sec Research

Chart 10: Digital cable – Stock prices have halved post listing in past year



Source: I-Sec Research, TAM

Poor performance by the stocks of cable companies recently will be a key deterrent to further capital raising. Hathway and Den Networks, which raised capital from the primary markets, are currently trading at a 50% discount to their IPO price. Also, WWIL's market cap has reduced to one-thirteenth in the past four years after demerging from the erstwhile Zee Telefilms. While, Dish TV had a troubled capital raising during the rights issue in '09, the promoters had subscribed it fully, thus giving it a fresh lease.

Funding – Cable and DTH

Table 9: Fund raising by DTH and cable companies

Operators	Promoter backing	Strategic investor	Means	Comments
Dish TV	Essel Group	Apollo Management	GDRs	US$100mn GDRs for 11% stake, rights issue in 2009 (promoters ended up increasing stake)
Tata Sky	80:20 venture between Tata & Sky Broadcasting	Temasek, News corp	Private placement	US$56mn for 10% stake (Temasek)
Airtel Digital	Bharti Airtel	--	--	--
BIG TV	Reliance ADAG	--	--	--
Sun Direct	Sun Network	Astro All Asia	Private placement	US$166mn for 20% stake
Videocon d2h	Videocon	--	--	--
WWIL	Essel Group	--	Rights issue	Rs4.5bn raised, promoter increased stake
Hathway	Raheja Group	--	Primary market	Rs6.6bn raised through IPO
Den networks	Sameer Manchanda	--	Primary market	Rs3.6bn raised through IPO
Digicable	Reliance ADAG	--	--	Reliance Communications acquired Digicable in '10
Ortel	--	New Silk Route	Private placement	Rs600mn for 23% stake
You Telecom	Citigroup Venture Capital	--	--	--
Incable	Hinduja Group	Intel USA	Private placement	--

Source: I-Sec Research

Evolving ecosystem and scale – Cable's envy, DTH's pride

DTH has had the head start in digitalisation and increased its subscriber base to ~30mn from 4mn in the past three years, which has led to multiple benefits of scale and evolving ecosystem. Owing to scale (10mn+ annual subscriber addition), DTH players have been able to reduce set top box (STB) costs, whereas the cumulative ad & marketing spend has helped establish the genre. Initially, while DTH penetration growth was linked to rural areas (cable dark areas), the growth is spreading to urban rural India as well as DTH has emerged as a quick alternative to analogue and digital cable in the urban markets. The entry of telecom companies (with established service standards) has helped reinforce confidence in service standard for the new subscriber.

Ecosystem of services supporting DTH

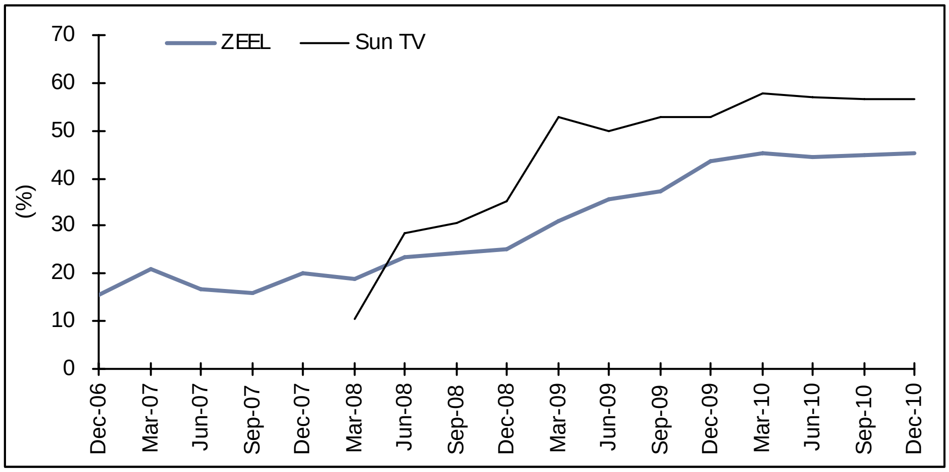
- Wide network of distributors and dealers enabling easy availability
- Mode of payment – collection agents, availability of recharge coupons
- Trained manpower for installation and servicing

DTH players are expected to spend Rs6bn in marketing alone in FY11 to promote services. Also, DTH service marketing communication is now being used to increase APRUs by promoting value added services (VAS) and HD +DVR STBs. While scale benefits will aid the DTH switch, cable continues to suffer from the poor service standards of the LCOs.

Broadcasters favour DTH over digital cable due to addressability

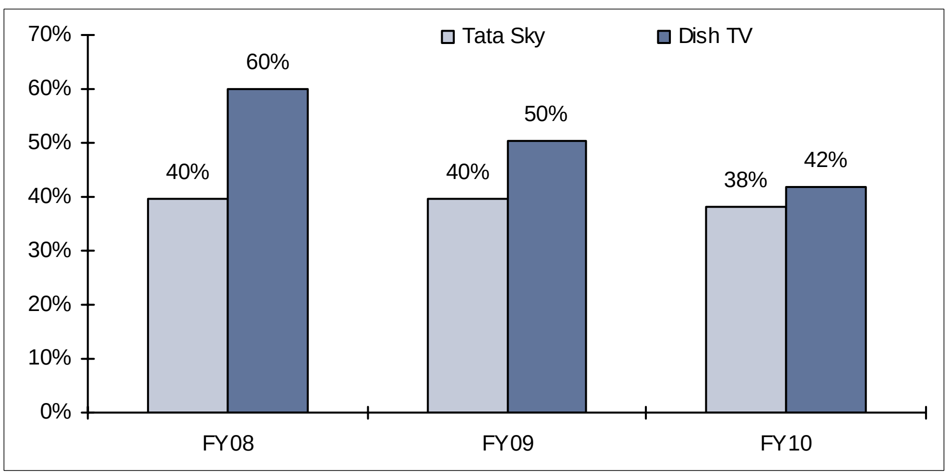
The rise in DTH subscriber base has significantly benefited the broadcasters as Pay TV revenues from DTH have equaled analogue cable revenues in FY11 so far, despite DTH subscribers at 32.5mn versus 71.4mn cable subscribers. Broadcasters prefer growth in DTH households over digital cable on account of under-declaration in digital cable. Of domestic Pay TV revenues, DTH accounts for 45% for Zee Entertainment Enterprises (ZEEL) and 57% for Sun TV. With DTH platforms being addressable, broadcasters have entered into fixed-content cost agreement to subsidise costs for DTH players given the high initial costs of operations. Also, digital cable beyond CAS continues to be non-addressable, thus aiding under-declaration.

Chart 11: DTH share in domestic Pay TV revenues increasing for broadcasters



Source: Company data; I-Sec Research

Chart 12: Content cost at ~40% for DTH providers

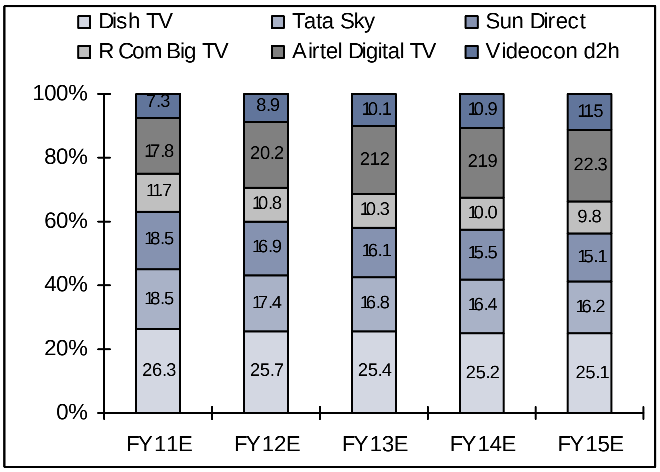


Source: Company data; I-Sec Research

Dish TV leading the growth curve in DTH

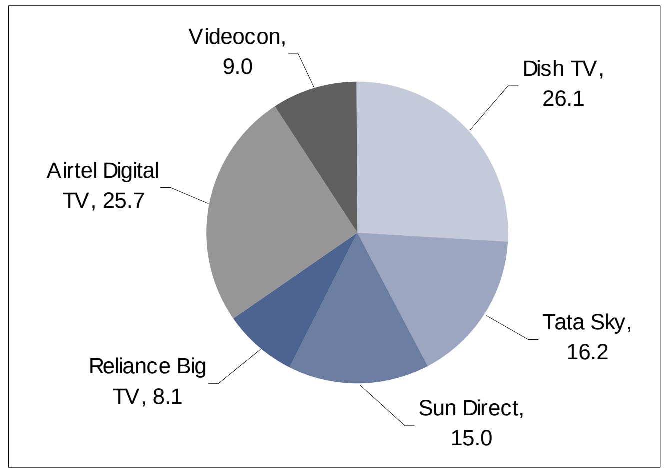
Dish TV has enjoyed the first-mover advantage in terms of garnering subscriber scale – 7.7mn net subscribers as of December'10. Five new players have entered, led by strong financial backing. However, Dish TV has been able to maintain its leadership and has added one-fourth of incremental subscriber market share, much more than its fair share in a six-player market. Dish TV's market share should be close to 26% of the industry (end-FY11 on a net basis) and we expect it to continue to maintain it.

Chart 13: Dish TV – Market share



Source: Industry data, I-Sec Research

Chart 14: Dish TV maintains over 25% net adds share (April-July '10)



Source: Industry data, I-Sec Research

Well funded to capture growth

Table 10: Capital raising initiatives

Date	Instrument	Currency	Amount (mn)	Investor	Comment
Dec-09	GDR	US dollar	100	Apollo management	Diluted 11% stake at a price of Rs39.8/share
Oct-08	Rights issue	Rupee	1,140	Shareholders	Promoter stake increased to 64.8% post rights issue

Source: Company data; I-Sec Research

Dish TV is well capitalised after two capital raising initiatives – a rights issue from the promoters and private equity from the Apollo Group – funds will be used to subsidise consumer premise equipment (CPE) costs. Also, Dish TV is likely to turn FCF positive in FY13 and will be able to debt fund capex in FY12.

Strong parentage

Dish TV is owned by the Essel group, which is among the strongest media networks in India. Linkage with a leading broadcasting network helps Dish TV have better negotiation ability as regards content cost.

Competition intense but enough bandwidth for everybody

In our view, competition is intense in DTH, but enough growth opportunities exist for all the players. Companies that can meet execution challenges and arrange for acquisition cost funding are best placed to grow. The total DTH subscriber base has increased to a significant 30.6mn as of December '10 versus 18.2mn in December '09, an addition of 12.4mn subscribers (66% YoY increase). In our view, SAC has reduced for Dish TV in the past 10 quarters to Rs2,142 from Rs2,634 (an important measure of competitive intensity). A key concern for the industry is the churn from DTH to cable as operators lower ARPUs to regain lost subscriber base.

Better channel offerings due to high transponder capacity

At present, Dish TV offers a choice of 250 channels & services and four HD channels, which is among the best in the industry. Channel capacity is a key in the market owing to limited transponder capacity available. Dish TV has recently increased its transponder capacity to 648Mz from 432MHz, helping it provide more channels and HD content. Late entrants in DTH were forced to deploy MPEG-4 technology due to limited transponder space.

Table 11: DTH plans – Comparisons

	Pack	Monthly charge (Rs)	Channels & services	Connection charge (Rs)	Installation charge (Rs)	Freebies
Rest of India						
dishtv	Silver Saver	160	172	990	200*	Cash back worth Rs830 (in discount coupons for movies on demand, *a-la-carte* etc)
TATA Sky	Economy	150	74	999	0	Two free regional packs
Airtel digital TV	New value Hindi Special	160*	119	1,590	0	Four-month subscription + Rs250 cash back + four pay per view movie channels
BIG TV	Silver	180*	134	1,190	0	Two months subscription
SUN DIRECT	ROI Value	120*	105	0	890	A free regional top-up; RoI value pack at Rs349 for three months
videocon d2h	New Gold sports	215*	207	1,390	300	Four months subscription
South Pack comparisons						
dishtv	South Silver	125	147	990	200*	Cash back worth Rs800 (in discount coupons for movie on demand, *a-la-carte* etc)
TATA Sky	South Economy	150	61	999	0	Two free regional packs
Airtel digital TV	Super South Value Sports	130*	99	1,590	0	Five months subscription + Rs250 cash back + Four pay per view movie channels
BIG TV	Value	115*	117	1,390	0	Four month subscription+ one south language pack + Malayalam pack
SUN DIRECT	South Value	99*	97	0	890	South value pack at Rs1,310 for 12 months + one month free
videocon d2h	South Silver	110*	144	888	300	Two months subscription + two months of Sports Grande + three months of active music

* Taxes extra
Source: Company websites

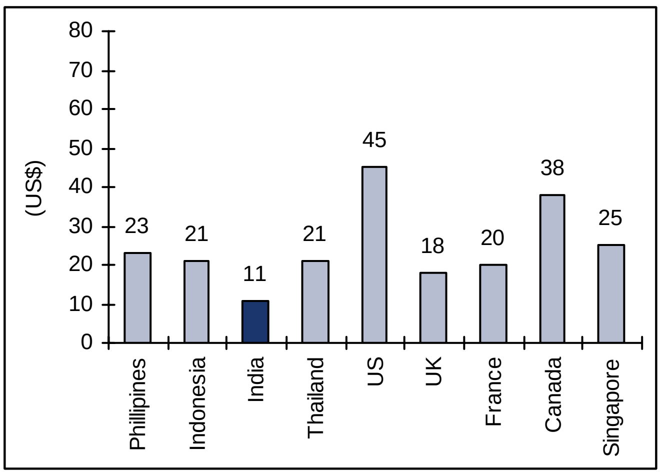
Evolving operating metrics to change for good

ARPU, SAC and churn are the three key parameters which judge the operational performance of DTH – these are yet to stabilise and will most likely change for good. Key concerns are abysmally low ARPUs, high SAC and high churn for cable operators. With STBs not being fungible for DTH players, the cost of churn is high for both subscribers and operators.

ARPUs to rise; at present, abysmally low at US$3

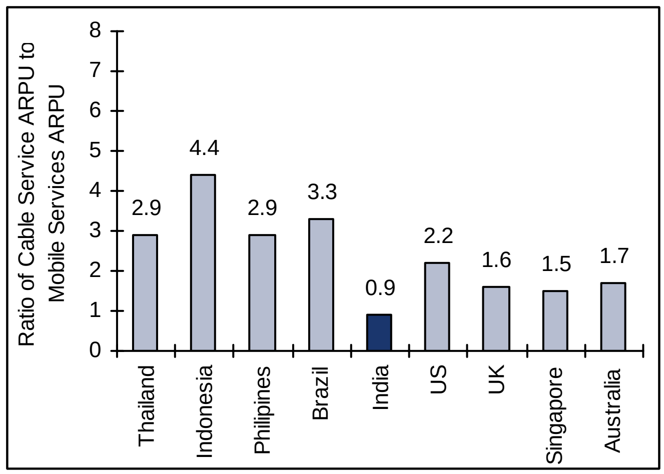
We expect DTH ARPUs to flow in as Dish TV subscriber base from urban India increases and subscribers migrate to higher packages from introductory offers. Also, at present, DTH ARPUs are low owing to competition from analogue cable which gains from under-declaration and minimal taxes. We see this changing as subscribers subscribe to more channels, better services and VAS. Globally, cable ARPUs on a PPP adjusted basis are 2-3x of India ARPUs.

Chart 15: Monthly spend on cable in India lower even on a PPP basis



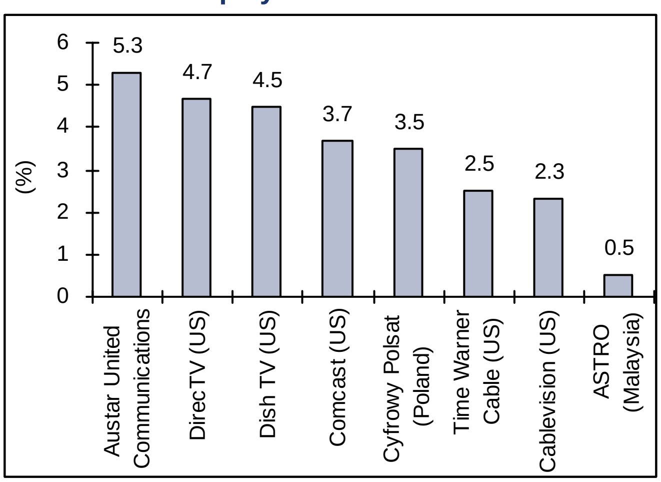
Source: Telecom Regulatory Authority of India

Chart 16: Cable ARPUs-to-mobile services ARPUs among the lowest in India



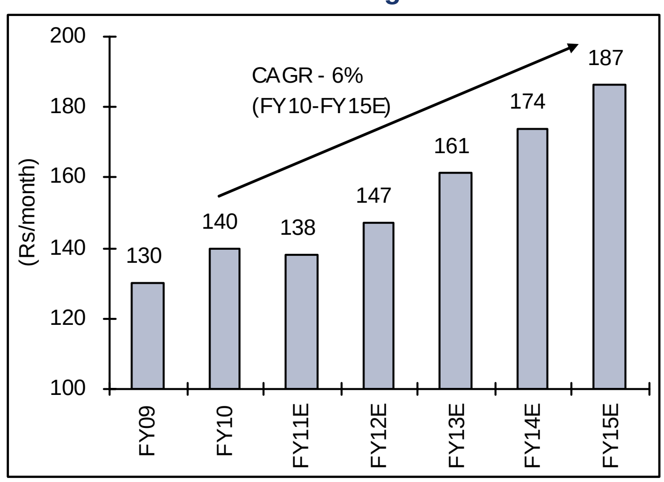
Source: Telecom Regulatory Authority of India

Chart 17: Global players – ARPU CAGR at ~3-5%*



Note: *CAGR for years 2006-2010 for all except Time Warner (2008-2010)
Source: Company data, I-Sec Research

Chart 18: Dish TV – ARPU to grow at 6% CAGR

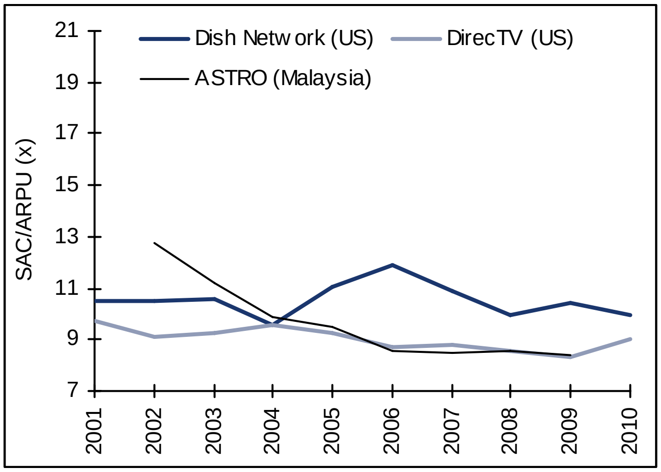


Source: Company data, I-Sec Research

SAC high at 16x of ARPUs

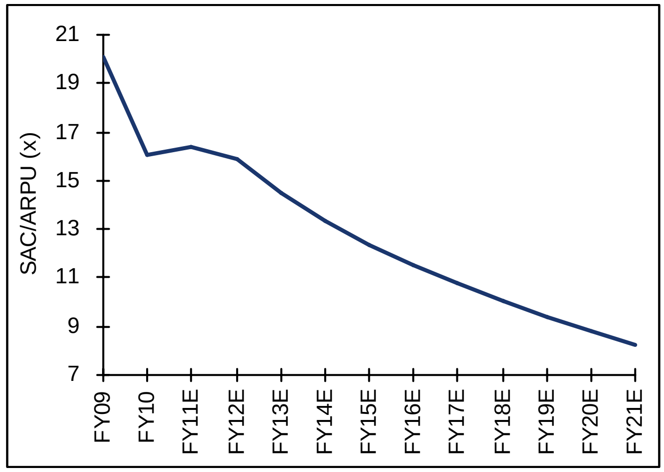
Globally, SAC/ARPUs stabilise at 9-10x of ARPUs for mature DTH players. We expect SAC/ARPU for Dish TV to improve, but largely led by an ARPU increase. Also, there is a business case for lower SAC/ARPU multiple in India as CPE costs currently account for 76% of SAC versus 32% for global peers. With rising scale, CPE costs are likely to reduce. Also, SACs for global peers are high owing to high cost of installation and dealers' commission, which are relatively low in India owing to the availability of cheap manpower.

Chart 19: SAC/ARPUs have stabilised at 9-10x for global peers



Source: Company data, I-Sec Research

Chart 20: Dish TV – SAC/ARPU to gradually move towards the global average



Source: Company data, I-Sec Research

Chart 21: Hardware subsidy accounts for most of the subsidy in India#

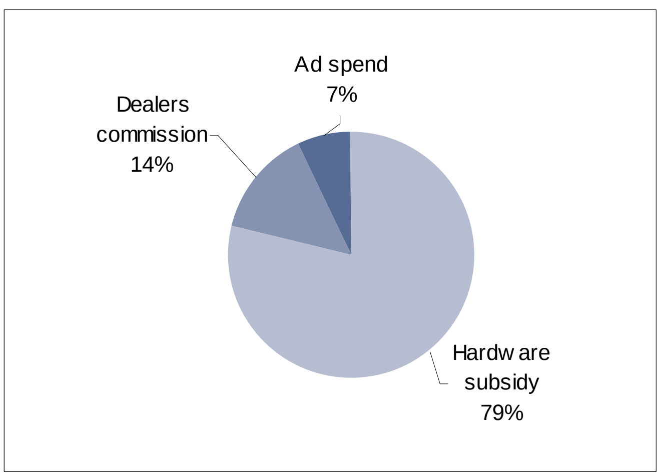
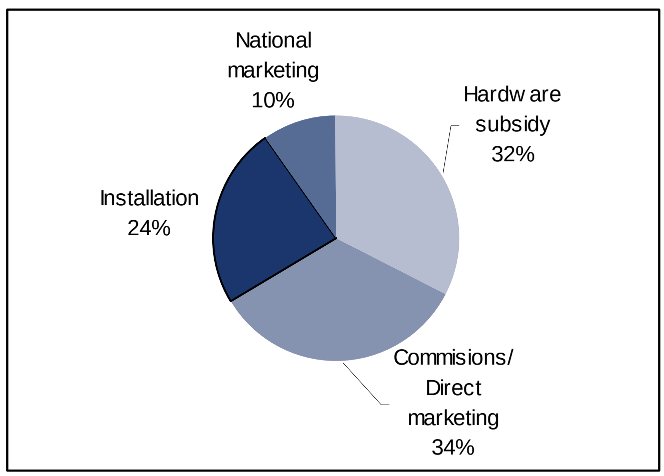
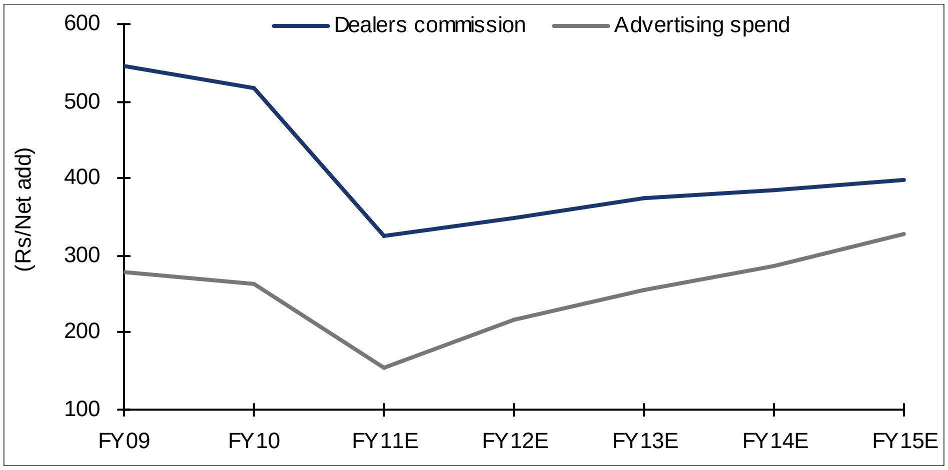


Chart 22: Commission & marketing expenses form most of the expenses in the US*



FY11E for Dish TV; * Q3CY10 data for DirecTV; Source: I-Sec Research

Chart 23: Ad and commission expenses to increase gradually



Source: I-Sec Research

Churn not very high compared with global peers, but still a concern

Churn for Dish TV has increased to 1% per month in FY11 versus 0.75% in FY10. However, DTH churn for global players is at ~1.5% per month. High SAC and initial costs for subscribers will likely keep the churn low in India as STBs are not fungible. Even the low churn in the current environment is highly taxing for the operator as companies incur high SAC – it is economically unviable to collect back CPEs.

Taxation – DTH, a stepchild; rationalisation hopes exist

The Indian DTH space is heavily taxed, whereas the highly unorganised LCOs under-declare up to 85% of revenues. DTH players are charged a service tax of 10.3% on gross APRU, a licence fee of 10% on subscription revenues – also, the state Governments charge entertainment tax at 2-10% of revenues. DTH players pay duties on imported STBs. We expect some rationalisation in the entertainment tax with the adoption of GST and implementation of the proposed reduction in the licence fee to 6% from the current 10%.

Financials – In high-growth phase

Key forecasts

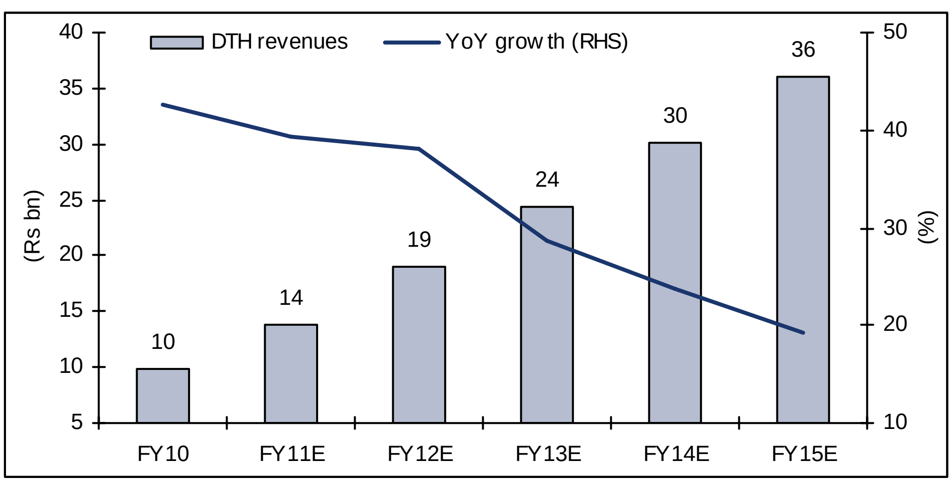
- We expect revenue CAGR to be 28.7% through FY10-15E and DTH revenue CAGR to be 29.6%.
- We expect net subscribers to reach 10.9mn in FY12E, 13.1mn in FY13E, 15mn in FY14E and 16.8mn in FY15E.
- ARPUs will likely increase to Rs187/month by FY15E at 6% CAGR through FY10-15E.
- Content or programming cost, as a percentage of DTH revenues, will gradually come down to 33.9% in FY15E from 41.9% in FY10.
- SAC will likely be flat at ~Rs2,300/subscriber.

Revenue CAGR at 28.7% in FY10-15E

DTH revenue CAGR 29.6% in FY10-15E

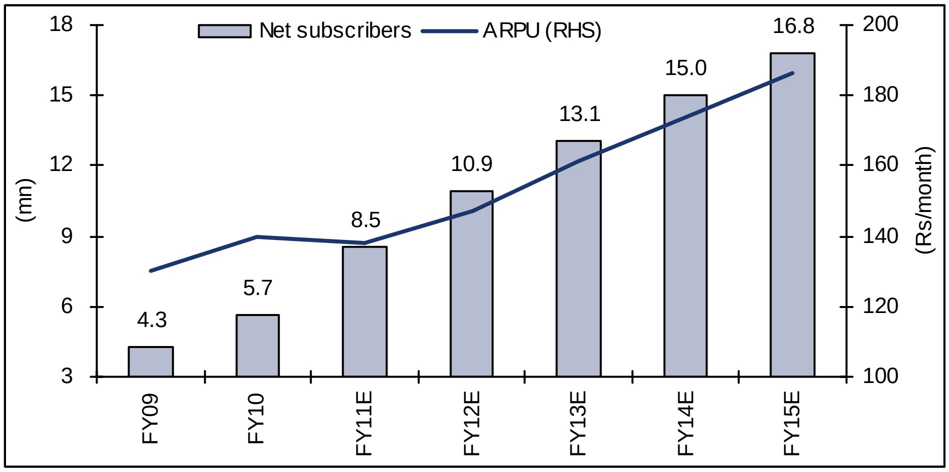
We expect DTH revenue CAGR to be 29.6% through FY10-15E and touch Rs36bn by FY15E, led by strong subscriber addition and ARPU increase. We expect net subscribers to reach 16.8mn in FY15E from 5.7mn in FY10 at a CAGR of 24.3%. Dish TV will likely add 13.4mn and 8.3mn gross and net subscribers respectively through FY11-15E. Subscription revenue CAGR will likely be 32.7% through FY10-15E. Overall ARPUs will see a gradual uptick, growing 6.8% in FY12E, 9.6% in FY13E, 7.9% in FY14E and 7.2% in FY15E. VAS ARPUs will increase to Rs6/month in FY15E. We expect lease rentals to stabilise from FY13E to Rs1.6bn.

Chart 24: DTH revenues to grow 3.6x through FY10-15E



Source: Company data, I-Sec Research

Chart 25: Net subscriber addition and ARPUs will lead the growth

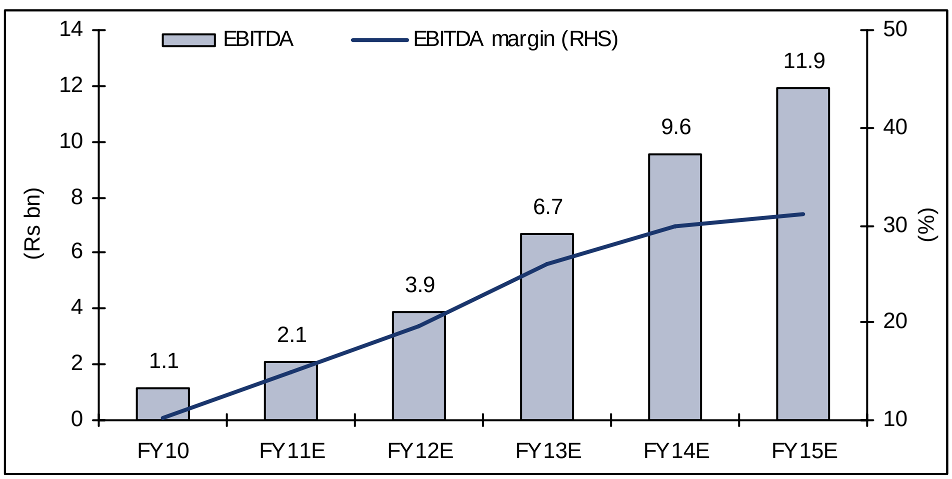


Source: Company data, I-Sec Research

EBITDA margin to reach 26% by FY13E

We expect consolidated EBITDA margin to expand to 19.7% in FY12E, 26% in FY13E and 31.1% in FY15E owing to higher revenues and lower content costs. EBITDA for FY12E-13E will likely be Rs3.9-6.7bn respectively from Rs1.1bn in FY10. Any favourable development on reduction in the licence fees to 6% from the current 10% will boost margins. Selling and distribution expenses will continue to be high at ~15-17% of revenues in FY12-13E on account of rising subscriber addition.

Chart 26: EBITDA margin to expand significantly in the next four years

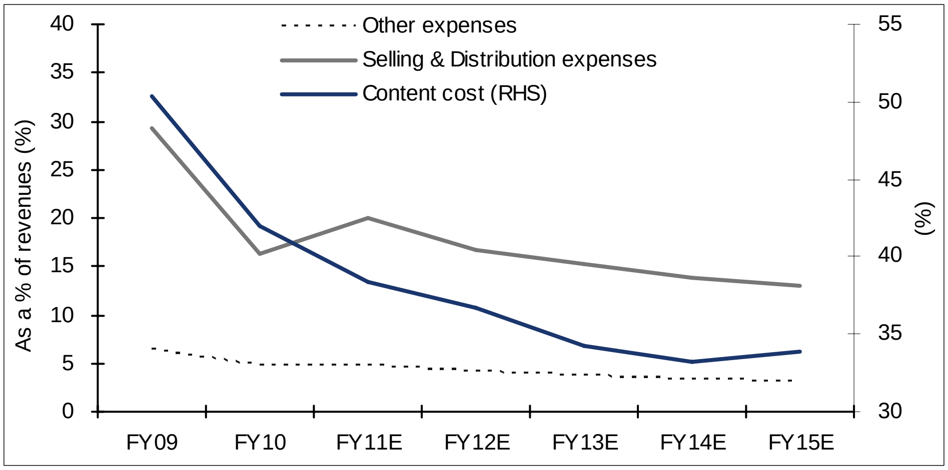


Source: Company data, I-Sec Research

Fixed content cost to beef up margins

We expect content costs to come down significantly in the next two years for Dish TV. Content cost, as a percentage of sales, is expected to fall 760bps to 34.3% in FY13E from 41.9% in FY10 – through 9MFY11, it was at 38.6%. The reduction in content cost as a percentage of DTH revenues can be attributed to higher subscriber addition and fixed nature of contract with broadcasters. Majority of the Dish TV's current contracts with broadcasters are on a fixed basis after adjusting for inflation, and are up for renewal in the next 1-3 years. We expect the fixed nature of the contracts to help margin expansion as growth in subscribers should significantly outpace contracted inflation. We expect broadcasters to be rational in terms of content cost negotiation as the DTH players are still in a high-investment phase and given the lack of addressability in digital cable, have continuously under-reported.

Chart 27: Lower content cost to drive margins

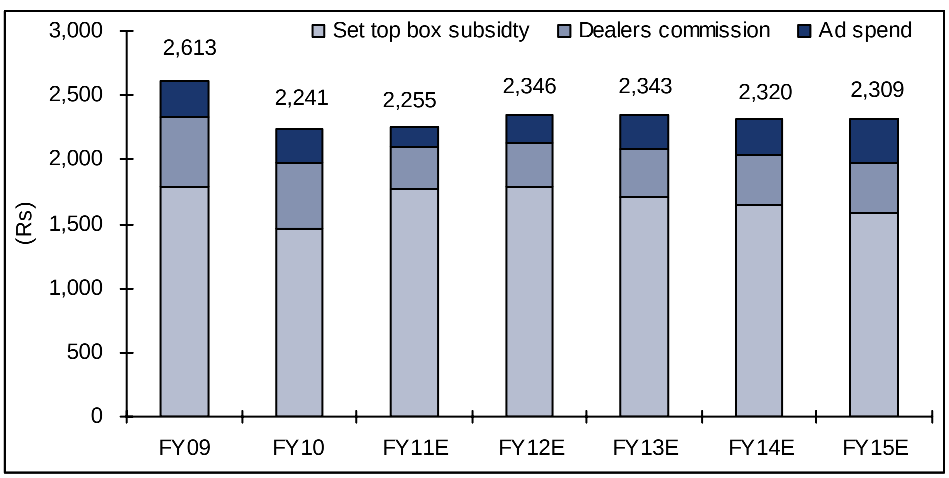


Source: Company data, I-Sec Research

SAC to be flat

We expect SAC to be flat in the next 4-5 years owing to the presence of six large DTH players. The reduction in the cost of STBs will be offset by higher marketing and brand-related expenses by operators so as to gain higher market share. Although, the market is large for all the players, operators will tend to keep higher subsidy on STBs and increase their ad and marketing spend. SAC cost will likely stabilise at Rs2,300/subscriber, still lower than Rs2,600/subscriber in FY09.

Chart 28: SAC break-up

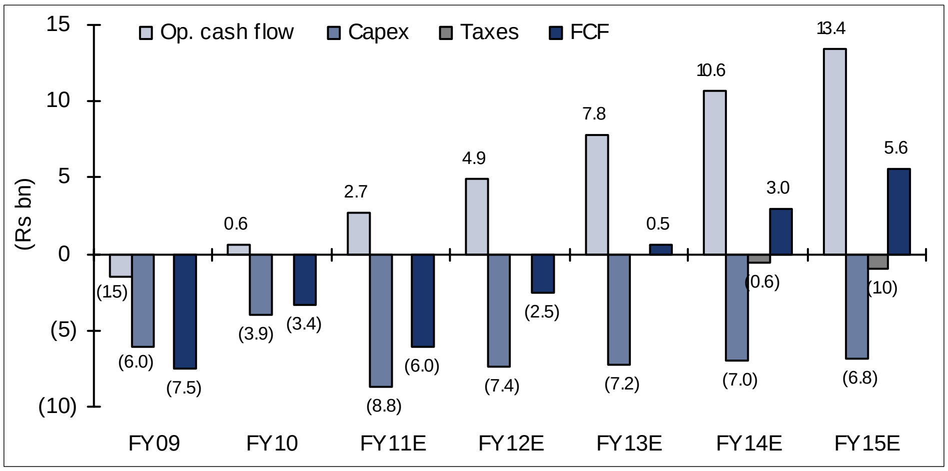


Source: Company data, I-Sec Research

FCF breakeven in FY13

We expect Dish TV to achieve FCF break-even in FY13 owing to the high run rate in subscriber addition during FY11-13, indicating increased initial costs on subscriber acquisition. We expect Dish TV to generate positive free cashflow of Rs9.1bn through FY13E-15E and dividend payout will start from FY14. With SAC at 16x ARPU, we do not see much scope for SACs to increase. Dish TV's initial capex during FY12E-13E will be Rs14.6bn, which can be managed through internal accruals and debt funding – we do not see a case for equity raising. In case of higher-than-expected growth (similar to Telecom), FCFE break-even can get stretched to FY14.

Chart 29: Dish TV to generate Rs9.1bn cash through FY13E-15E

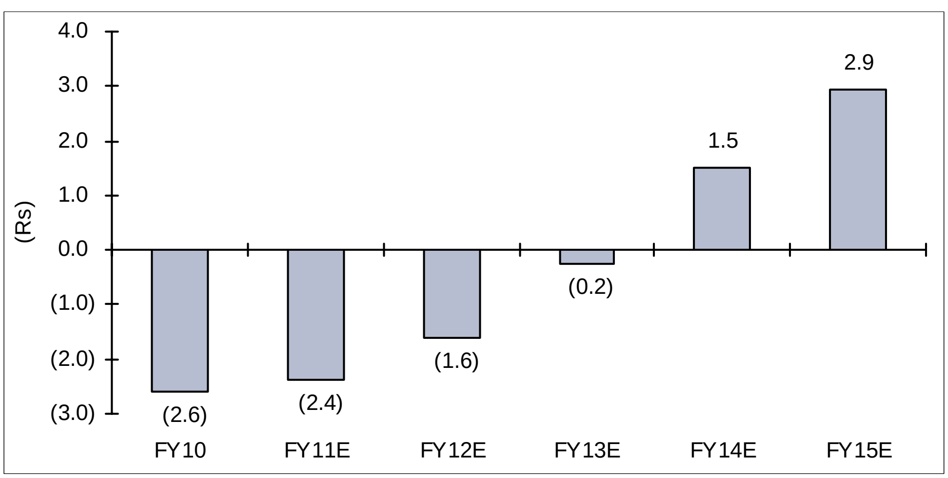


Source: Company data, I-Sec Research

PAT to break even in FY14

We expect Dish TV to achieve PAT break-even in FY14. Dish TV will likely report losses of Rs1,702mn and Rs256mn in FY12E and FY13E respectively and profits of Rs1,619mn in FY14E and Rs3,117mn in FY15E.

Chart 30: PAT break-even delayed owing to high upfront costs



Source: Company data, I-Sec Research

Key risks

Increase in content costs. Dish TV's content contract with most broadcasters is fixed with a step-up function. Contract renewals are due in the next 1-2 years. Any increase in content pricing by broadcasters during contract renewal is a concern. Dish TV's content cost, as a percentage of overall revenues, was at 38.6% through 9MFY11, similar to peers such as Tata Sky (programming cost 38.2% in FY10).

Regulatory risks. The DTH industry is highly regulated and heavily taxed and any significant change in licence fees, pricing of bouquets or sops limited to digital cable will be negatives. However, we do not expect compulsory digitalisation to have much impact as voluntary digitalisation in the DTH space will outpace digital cable. Any capping of prices in DTH will be a key negative for the sector.

Increase in competitive intensity. Dish TV is exposed to intense competition, both from DTH and digital cable. At present, six players are operating in the DTH market with most of them backed by large Indian conglomerates and strategic investors. New players such as Bharti Airtel and Videocon have already gained significant net add market share. Any aggressive pricing with respect to initial or package costs by new players (to increase market share) is a concern. Also, Dish TV will face competition from MSOs such as Hathway, Den etc and LCOs – any consolidation within the digital cable space and infusion of capital may lead to lower growth for Dish TV. However, we believe the competitive intensity will not affect growth as there exists a huge untapped market for both DTH and digital cable in the next 4-5 years.

High incidence of taxation. Taxes are quite high for the DTH industry. At present, DTH players pay 17% custom duty on STBs, annual licence fee at 10% of gross revenues, entertainment taxes within 2-10% and 10.3% service tax. Going forward, DTH will pay corporate tax as and when it starts generating profits. Entertainment taxes are also on the rise with many state governments increasing it before the GST roll-out across India. Any significant rise in levies/taxes will further hurt the profitability of Dish TV.

About Dish TV

Dish TV is India's first and largest DTH Company. It was earlier a part of Zee Entertainment Enterprises (ZEEL) and was demerged in '07. The company sources TV channel feeds from broadcasters and provides them to subscribers directly via satellite. It has a pan-India presence through 1,400 distributors and 55,000 dealers across 6,600 towns. The network is managed by 200 sales personnel, and eight zonal and 19 regional offices. It has a market share of ~31% in a six-player market, which includes Tata Sky, Airtel Digital, BIG TV, Sun Direct and Videocon. At present, the offerings include over 250 different channels and services. The company earns revenues through subscription charges from customers, rentals for STBs and carriage fees from broadcasters.

Management & promoters

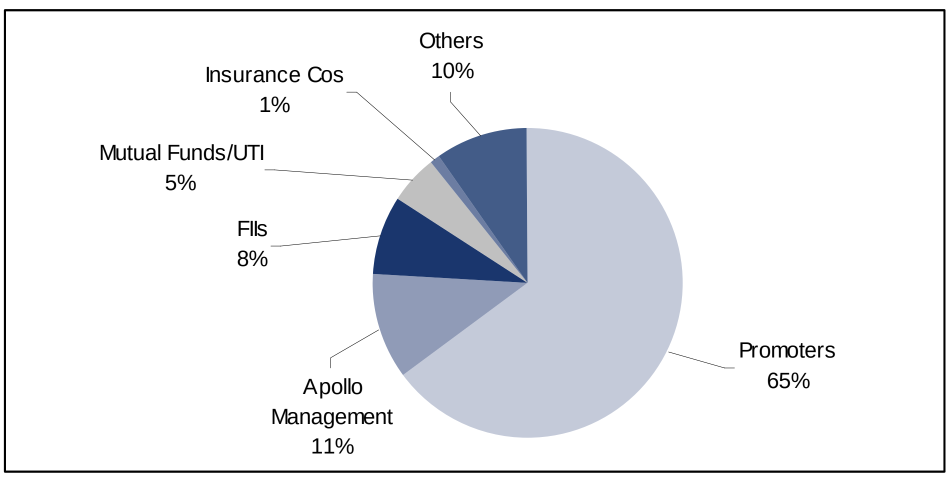
Dish TV was started in India by the Essel group, which is chaired by Subhash Chandra. Its flagship company, ZEEL has a market capitalisation of over Rs111bn. The Essel Group has a national and global presence with business interests in media programming, broadcasting and distribution, especially in packaging and entertainment. Apollo Management, a US based private-equity firm, has invested US$100mn (through GDRs) in '09 for acquiring 11% stake in the company.

Table 12: Management and promoters

Subhash Chandra	Chairman
Jawahar Goel	Managing Director & Head of Business
R C Venkateish	Chief Executive Officer
Rajeev Dalmia	Chief Financial Officer

Source: Company

Chart 31: Shareholding pattern (as of December '10)



Source: National Stock Exchange of India

Annexure 1: Financials

Table 13: Profit & Loss statement

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E	FY14E
DTH revenues	9,854	13,728	18,949	24,389	30,201
Teleport services	168	118	124	130	136
Other revenues	828	204	569	1,141	1,610
Total Operating Income	**10,850**	**14,050**	**19,641**	**25,660**	**31,947**
Less:					
Cost of goods sold	24	29	39	48	57
Operating costs	6,902	7,814	10,787	13,096	15,732
Personnel costs	516	655	824	969	1,085
Admin & other expenses	521	654	823	968	1,085
Selling & distribution expenses	1,772	2,799	3,300	3,904	4,426
Total Operating Expenses	**9,734**	**11,951**	**15,772**	**18,984**	**22,385**
EBITDA	**1,116**	**2,099**	**3,869**	**6,676**	**9,562**
Depreciation & Amortisation	3,227	3,960	4,790	5,879	6,441
Other Income	65	147	154	77	116
EBIT	**(2,046)**	**(1,715)**	**(767)**	**874**	**3,236**
Less: Financial expenses	583	798	935	1,130	1,212
Recurring Pre-tax Income	**(2,629)**	**(2,512)**	**(1,702)**	**(256)**	**2,024**
Add: Extraordinary Income	-	-	-	-	-
Less: Extraordinary Expenses	-	-	-	-	-
Less: Taxation	(6)	-	-	-	405
--Current Tax	-	-	-	-	405
--Deferred Tax	(6)	-	-	-	-
--FBT	-	-	-	-	-
Net Income (Reported)	**(2,623)**	**(2,512)**	**(1,702)**	**(256)**	**1,619**
Recurring Net Income	**(2,623)**	**(2,512)**	**(1,702)**	**(256)**	**1,619**

Source: Company data, I-Sec Research

Table 14: Balance sheet

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E	FY14E
ASSETS					
Current Assets, Loans & Advances					
Cash & Bank balance	5,550	806	532	2,020	3,629
Inventory	28	36	50	66	82
Sundry Debtors	359	77	108	141	175
Loans and Advances	6,966	9,552	9,552	9,552	9,552
Operational	8,192	10,778	10,778	10,778	10,778
Less: Provisions for doubtful L&A	(1,226)	(1,226)	(1,226)	(1,226)	(1,226)
Other Current Assets	-	-	-	-	-
Total Current Assets	**12,903**	**10,471**	**10,242**	**11,779**	**13,438**
Current Liabilities & Provisions					
Current Liabilities	**15,860**	**18,783**	**19,873**	**21,004**	**22,114**
Sundry Creditors	14,575	17,498	18,588	19,719	20,830
Other Current Liabilities	1,285	1,285	1,285	1,285	1,285
Provisions	**65**	**65**	**65**	**65**	**65**
Total Current Liabilities and Provisions	**15,925**	**18,848**	**19,938**	**21,069**	**22,179**
Net Current Assets	**(3,022)**	**(8,377)**	**(9,696)**	**(9,290)**	**(8,741)**
Investments					
Strategic & Group Investments	0	0	0	0	0
Other Marketable Investments	1,561	361	361	361	361
Equity	1,561	361	361	361	361
Total Investments	**1,561**	**361**	**361**	**361**	**361**
Goodwill	**451**	**451**	**451**	**451**	**451**
Fixed Assets					
Gross Block	18,344	27,346	35,278	42,796	50,070
Less Accumulated Depreciation	7,298	11,258	16,049	21,927	28,368
Net Block	11,046	16,088	19,230	20,869	21,702
Add: Capital Work in Progress	3,541	3,293	2,768	2,468	2,220
Total Fixed Assets	**14,587**	**19,381**	**21,998**	**23,337**	**23,921**
of which intangibles	*783*	*805*	*825*	*846*	*866*
Total Assets	**13,126**	**11,366**	**12,663**	**14,408**	**15,541**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Borrowings					
Short Term Debt	70	1,000	2,000	2,000	2,000
Inter-corporate deposit	179	-	-	-	-
Long Term Debt	9,108	9,108	11,108	13,108	13,108
Total Borrowings	**9,358**	**10,108**	**13,108**	**15,108**	**15,108**
Deferred Tax Liability	**-**	**-**	**-**	**-**	**-**
Share Capital					
Paid up Equity Share Capital	1,062	1,063	1,063	1,063	1,063
No. of Shares + GDRs outstanding (mn)	*1,063*	*1,063*	*1,063*	*1,063*	*1,063*
Reserves & Surplus	**2,706**	**194**	**(1,508)**	**(1,764)**	**(631)**
Share Premium	15,282	15,282	15,282	15,282	15,282
Profit & loss account	(12,576)	(15,088)	(16,791)	(17,046)	(15,913)
Net Worth	**3,768**	**1,257**	**(445)**	**(701)**	**433**
Total Liabilities & Shareholders' Equity	**13,126**	**11,366**	**12,663**	**14,408**	**15,541**

Source: Company data, I-Sec Research

Table 15: Cashflow statement

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E	FY14E
Cash Flow from Operating Activities					
Reported Net Income	(2,623)	(2,512)	(1,702)	(256)	1,619
Add:					
Depreciation & Amortisation	2,698	3,960	4,790	5,879	6,441
Provisions	10	-	-	-	-
Deferred Taxes	(6)	-	-	-	-
Less:					
Other Income	65	147	154	77	116
Net Extra-ordinary income	-	-	-	-	-
Operating Cash Flow before Working Capital change (a)	**14**	**1,301**	**2,934**	**5,546**	**7,945**
Changes in Working Capital					
(Increase) / Decrease in Inventories	4	(8)	(14)	(15)	(16)
(Increase) / Decrease in Sundry Debtors	167	282	(31)	(33)	(34)
(Increase) / Decrease in Operational Loans & Adv.	(285)	(2,587)	-	-	-
(Increase) / Decrease in Other Current Assets	-	-	-	-	-
Increase / (Decrease) in Sundry Creditors	(1,721)	2,923	1,090	1,130	1,111
Increase / (Decrease) in Other Current Liabilities	1,269	-	-	-	-
Working Capital Inflow / (Outflow) (b)	(565)	611	1,045	1,082	1,060
Net Cash flow from Operating Activities (a) + (b)	**(551)**	**1,912**	**3,979**	**6,628**	**9,005**
Cash Flow from Capital commitments					
Purchase of Fixed Assets	(3,940)	(8,754)	(7,407)	(7,217)	(7,026)
Purchase of Investments	-	-	-	-	-
Consideration paid for acquisition of undertaking					
Cash Inflow/(outflow) from capital commitments (c)	**(3,940)**	**(8,754)**	**(7,407)**	**(7,217)**	**(7,026)**
Free Cash flow after capital commitments (a) + (b) + (c)	**(4,491)**	**(6,843)**	**(3,428)**	**(589)**	**1,979**
Cash Flow from Investing Activities					
Purchase of Marketable Investments	**(1,561)**	**1,200**	**-**	**-**	**-**
(Increase) / Decrease in Other Loans & Advances	-	-	-	-	-
Other Income	65	147	154	77	116
Net Cash flow from Investing Activities (d)	**(1,496)**	**1,347**	**154**	**77**	**116**
Cash Flow from Financing Activities	**8,744**	**4,144**			
Issue of Share Capital during the year	12,865	1	-	-	-
Proceeds from fresh borrowings	(2,134)	750	3,000	2,000	-
Dividend paid including tax	-	-	-	-	(568)
Others	1	(0)	(0)	0	83
Net Cash flow from Financing Activities (e)	**10,732**	**752**	**3,000**	**2,000**	**(486)**
Net Extra-ordinary Income (f)	**-**	**-**	**-**	**-**	**-**
Total Increase / (Decrease) in Cash (a) + (b) + (c)+ (d)+ (e) + (f)	**4,745**	**(4,744)**	**(274)**	**1,488**	**1,609**
Opening Cash and Bank balance	**805**	**5,550**	**806**	**532**	**2,020**
Closing Cash and Bank balance	**5,550**	**806**	**532**	**2,020**	**3,629**
Increase/(Decrease) in Cash and Bank balance	**4,745**	**(4,744)**	**(274)**	**1,488**	**1,609**

Source: Company data, I-Sec Research

Table 16: Key ratios

(Year ending March 31)

	FY10	FY11E	FY12E	FY13E	FY14E
Per Share Data (Rs)					
Diluted Recurring Earning per share (DEPS)	(2.5)	(2.4)	(1.6)	(0.2)	1.5
Diluted Reported Earnings per share	(2.5)	(2.4)	(1.6)	(0.2)	1.5
Recurring Cash Earnings per share (CEPS)	0.6	1.4	2.9	5.3	7.6
Free Cashflow per share (FCPS-post capex)	(4.2)	(6.4)	(3.2)	(0.6)	1.9
Reported Book Value (BV)	3.5	1.2	(0.4)	(0.7)	0.4
Adjusted Book Value (ABV)	3.5	1.2	(0.4)	(0.7)	0.4
Dividend per share	-	-	-	-	0.5
Valuation Ratios (x)					
Diluted Price Earning Ratio	NM	NM	NM	NM	38.5
Price to Recurring Cash Earnings per share	103.0	43.0	20.2	11.1	7.7
Price to Book Value	NM	NM	NM	NM	143.8
Price to Adjusted Book Value	NM	NM	NM	NM	143.8
Price to Sales Ratio	6.3	4.5	3.3	2.6	2.1
EV / EBITDA	65.4	34.8	18.9	10.9	7.6
EV / Total Operating Income	6.7	5.2	3.7	2.8	2.3
EV / Operating Free Cash Flow (Pre-Capex)	NM	38.2	18.3	11.0	8.1
EV / Net Op. Free Cash Flow (Post-Capex)	NM	NM	NM	NM	36.9
Dividend Yield (%)	0	0	0	0	1
Growth Ratios (% YoY)					
Diluted Recurring CEPS Growth	NM	139.5	113.2	82.1	43.4
Total Operating Income Growth	47.0	29.5	39.8	30.6	24.5
EBITDA Growth	NM	88.0	84.4	72.5	43.2
Operating Ratios (%)					
EBITDA Margins	10.3	14.9	19.7	26.0	29.9
EBIT Margins	(18.9)	(12.2)	(3.9)	3.4	10.1
Recurring Pre-tax Income Margins	(24.1)	(17.7)	(8.6)	(1.0)	6.3
Recurring Net Income Margins	(24.0)	(17.7)	(8.6)	(1.0)	5.1
Raw Material Consumed / Sales	0.2	0.2	0.2	0.2	0.2
SGA Expenses / Sales	18.0	20.4	17.4	16.0	14.7
Other Income / Pre-tax Income	NM	NM	NM	NM	5.7
Effective Tax Rate	0.2	0.0	0.0	0.0	20.0
Return / Profitability Ratios (%)					
Return on Capital Employed (RoCE)-Overall	(22.5)	(14.0)	(6.4)	6.5	17.3
Return on Equity (RoE)	NM	NM	NM	NM	NM
Dividend Payout Ratio	-	-	-	-	30.0
Solvency Ratios / Liquidity Ratios (%)					
Debt to total capitalisation (D/D+E)	71.3	88.9	103.5	104.9	97.2
Long Term Debt / Total Debt	97.3	90.1	84.7	86.8	86.8
Net Working Capital / Total Assets	(65.3)	(80.8)	(80.8)	(78.5)	(79.6)
Interest Coverage Ratio-based on EBIT	(3.5)	(2.2)	(0.8)	0.8	2.7
Debt Servicing Capacity Ratio (DSCR)	1.8	1.3	1.4	2.2	2.9
Current Ratio	0.4	0.1	0.0	0.1	0.2
Cash and cash equivalents / Total Assets	42.3	7.1	4.2	14.0	23.4
Turnover Ratios					
Inventory Turnover Ratio (x)	356	391	381	344	316
Assets Turnover Ratio (x)	1.2	1.2	1.6	1.9	2.1
Working Capital Cycle (days)	(420)	(363)	(345)	(271)	(212)
Average Prepaid Revenue (days)	136	109	84	75	68
Average Payment Period (days)	90	360	330	300	270

Source: Company data, I-Sec Research

Annexure 2: Index of Tables and Charts

Tables

Charts

This page has been intentionally left blank

This page has been intentionally left blank

I-Sec investment ratings (all ratings relative to Sensex over next 12 months)
BUY: +10% outperformance; **HOLD**: -10% to +10% relative performance; **SELL**: +10% underperformance

ANALYST CERTIFICATION

We /I, *Vikash Mantri, PGDM, CFA; Satish Kothari, PGDM* research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of ICICI Securities Inc.

Disclosures:

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees (“ICICI Securities and affiliates”) are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Nonrated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. ICICI Securities and affiliates expect to receive compensation from the companies mentioned in the report within a period of three months following the date of publication of the research report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that *Vikash Mantri, PGDM, CFA; Satish Kothari, PGDM* research analyst and the author of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its affiliates collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Vikash Mantri, PGDM, CFA; Satish Kothari, PGDM* research analyst and the author of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

EQUITIES			
A Murugappan	Executive Director	+91 22 6637 7101	a.murugappan@icicisecurities.com
Equity Research – Telephone : +91 22 2288 2460/70 **Fax:** +91 22 2288 2448			
ANALYST	**SECTOR ALLOCATION**	**DIRECT NOS.**	**E-MAIL**
Anantha Narayan	Co-Head Equities	+91 22 6637 7311	anantha.narayan@icicisecurities.com
Abhijit Mitra	Metals	+91 22 6637 7289	abhijit.mitra@icicisecurities.com
Chirag Dagli	Pharma / FMCG	+91 22 6637 7230	chirag.dagli@icicisecurities.com
Krupal Maniar, CFA	IT Services, Cement	+91 22 6637 7254	krupal.maniar@icicisecurities.com
Prakash Gaurav Goel	Power, Fertiliser	+91 22 6637 7373	prakash.goel@icicisecurities.com
Rohit Ahuja	Oil&Gas and Petrochemicals	+91 22 6637 7274	rohit.ahuja@icicisecurities.com
Vikash Mantri, CFA	Media, Telecom	+91 22 6637 7161	vikash.mantri@icicisecurities.com
Abhishek Murarka	Banking	+91 22 6637 7351	abhishek.murarka@icicisecurities.com
Sanket Maheshwari	Auto, Shipbuilding	+91 22 6637 7159	sanket.maheshwari@icicisecurities.com
Shaleen Silori	Real Estate, Infrastructure	+91 22 6637 7188	shaleen.silori@icicisecurities.com
Satish Kothari	Sr. Associate (Media, Telecom)	+91 22 6637 7510	satish.kothari@icicisecurities.com
Varun Sharma	Sr. Associate (Technology)	+91 22 6637 7180	varun.sharma@icicisecurities.com
Vivek Sharma	Sr. Associate (Power, Fertiliser)	+91 22 6637 7340	v.sharma@icicisecurities.com
Aniruddha Mate	Associate (Real Estate, Infrastructure)	+91 22 6637 7588	aniruddha.mate@icicisecurities.com
Digant Haria	Associate (Banking)	+91 22 6637 7314	digant.haria@icicisecurities.com
Gagan Borana	Associate (Pharma, FMCG)	+91 22 6637 7480	gagan.borana@icicisecurities.com
Koushik Rajagopalan	Associate (Strategy)	+91 22 6637 7114	koushik.rajagopalan@icicisecurities.com
Prolin Nandu	Associate (Oil&Gas and Petrochemicals)	+91 22 6637 7386	prolin.nandu@icicisecurities.com
Anagha Agharkar	Database Manager	+91 22 6637 7438	anagha.agharkar@icicisecurities.com
Prakriti Singh	Editor	+91 11 2439 0154	prakriti.singh@icicisecurities.com
Ranjit Singh	Editor	+91 22 6637 7202	ranjit.singh@icicisecurities.com
Hemant Jathar	Production	+91 22 6637 7135	hemant.jathar@icicisecurities.com
Ruben Fernandes	Production	+91 22 6637 7442	ruben.fernandes@icicisecurities.com
Equity Sales – Asia-Pacific – Telephone : +91 22 2288 2460/70 **Fax:** +91 22 2288 2341			
T.S. Baskaran – Co-Head Equities		+65 6232 2451	ts_baskaran@icicisecuritiesinc.com
Ashvin Patil		+91 22 6637 7365	ashvin.patil@icicisecurities.com
Hitesh Danak		+91 22 6637 7131	hitesh.danak@icicisecurities.com
Sameer Agarwal		+91 22 6637 7416	sameer.agarwal@icicisecurities.com
Rishi Agrawal		+65 6232 2452	rishi_agrawal@icicisecurities.com
Akshay Kothari		+91 22 6637 7504	akshay.kothari@icicisecurities.com
Sanaa Syed		+91 22 6637 7511	sanaa.syed@icicisecurities.com
Equity Sales – US			
Rahul Ajmera		+1 646 673 8549	rahul_ajmera@icicisecuritiesinc.com
Bhavesh Dalal		+91 022 6637 7260	bhavesh.dalal@icicisecurities.com
Equity Dealing – Telephone : +91 22 2281 4570 **Fax:** +91 22 2288 2341			
Shankar Char		+91 22 6637 7130	shankar.char@icicisecurities.com
Pinakin Mistry		+91 22 6637 7279	pinakin.mistry@icicisecurities.com
Ravi Chhugani		+91 22 6637 7316	ravi.chhugani@icicisecurities.com
Equity Derivatives – Telephone : +91 22 2288 2460/70 **Fax:** +91 22 2288 2341			
T. S. Harihar		+91 22 6637 7275	harihar.subramanium@icicisecurities.com
Monil Dawda		+91 22 6637 7193	monil.dawda@icicisecurities.com
Manish Raval		+91 22 6637 7489	manish.raval@icicisecurities.com
Mayank Mehta		+91 22 6637 7358	mayank.mehta@icicisecurities.com
Vishal Jain		+91 22 6637 7271	vishal.jain@icicisecurities.com

ICICI Securities Limited
ICICI Centre, H T Parekh Marg, Churchgate, Mumbai 400 020, **Telephone:** +91 22 2288 2460/70 **Fax:** +91 22 2288 2448

ICICI Securities Inc.
30 Cecil Street, #15-29, Prudential Tower, Singapore 049712
Telephone: +65 6232 2451/52 **Fax:** +65 6232 2455

ICICI Securities Inc.
461, 5th Avenue, 16th Floor, New York, NY 10017, USA.
Telephone: +1 212-921-2344 / +1 212 453 6704 **Fax:** +1 212-453-6710