

Dish TV India Ltd.

Rs 58

**KRChoksey**  
 INTEGRATED FINANCIAL SOLUTIONS

Negative surprises disappointed..

BUY

Dish TV recorded total revenue of Rs 490cr, a growth of 1.8% q-o-q and robust growth of 31% y-o-y driven by higher subscriber base in the quarter. EBITDA for the quarter was Rs 120cr which is lower by 1.6% q-o-q and a growth of 79% y-o-y. Higher programming cost dented EBITDA margin by 80bps on q-o-q to 24.5%. The company posted loss of Rs 43cr as compared to loss of Rs 49cr in Q2FY12 and loss of Rs 44cr in Q3FY11. Net profit had negative impact of forex loss of Rs 15.6cr. Overall quarter was disappointing as the company witnessed increase in churn rate and ARPU was stagnant at Rs 152. We believe Dish TV is well placed in DTH segment and will gain from mandatory digitization going ahead. We maintain positive outlook on the company on a longer term horizon.

#### Muted revenue growth lead by stagnant ARPU

Dish TV reported marginal revenue growth of 1.8% as soft economic environment caused to slowdown in new subscriber addition. ARPU's were at Rs 152, similar to Q2FY12. The company witnessed increase churn rate of around 1.5%. The management has guided lower subscriber addition for FY12E to 2.6mn subscribers as compared to 3-3.5mn subscribers earlier. This shows slowdown is eminent in DTH space. However mandatory digitization will help to increase DTH subscribers going ahead.

#### Higher content cost dented operating profit

The company had higher content cost on the back of renewal of deals with Sony and Neo Sports. It dragged EBITDA margins of 25% in Q2FY12 to 24.5% in Q3FY12. Going ahead in FY13E, deal renewals for Zee and Star will come which will again put pressure on content cost. Down trend in subscriber acquisition cost will help to maintain operating margins in future.

#### Valuation & View

Despite of stiff competition Dish TV maintained its leadership position with 24% incremental market share. Although subscriber acquisition has slowed down due to higher entry pack, we believe growth will be on track as digitization progresses. Increase in ARPU driven by HD services, favorable regulatory changes, and lower interest expense will reflect in improvement in overall profitability of the company. At current price stock is trading at 15.7 x and 10.3x EV/EBITDA to FY12E and FY13E earnings. We recommend BUY on the stock with a target price of Rs 70 by assigning 12x EV/EBITDA to FY13E earnings.

#### Exhibit 1:Key Financial

Particulars Rs Cr	FY10	FY11	FY12E	FY13E
Revenue	1085	1437	1753	2103
Ebitda	112	238	428	637
PAT	-262	-192	-150	-10
Ebitda Margin (%)	10%	17%	24%	30%
Npm (%)	-24%	-13%	-9%	0%
Eps, Rs	-2.5	-1.8	-1.4	-0.1
P/E, X	-	-	-41.1	-613.3
EV/Ebitda, x	58.6	29.0	15.7	10.3
RoE (%)	-16%	-12%	-10%	-1%

Source: Company data, KRChoksey Research

Target Price (Rs): 70

Potential upside: 21%

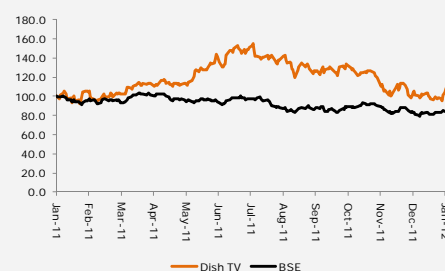
Previous TP (Rs): 86

Market Data	
Shares outs (Cr)	106.3
Equity Cap (Rs Cr)	106.3
Mkt Cap (Rs Cr)	6165
52 Wk H/L (Rs)	94.2/53.3
Avg Vol (1yr Avg)	36,91,350
Face Value (Rs)	1
Bloomberg Code	DITV.IN

#### Market Info:

SENSEX	16,743
NIFTY	5,045

#### Price Performance



#### Share Holding pattern (%)

Particulars	Sept-11	Jun-11	% Chg
Promoter	64.75	64.77	-0.03
FII	12.76	11.13	14.65
DII	4.76	6.21	-23.35
Others	17.73	17.89	-0.89
Total	100	100	

Source: BSE (December quarter shareholding was not updated by the company as on 20<sup>th</sup> January, 12)

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**Exhibit 3: Q3FY12 Consolidated Result**

Particulars (Rs Crs)	Q3FY12	Q2FY12	q-o-q	Q3FY11	y-o-y
<b>Total income</b>	<b>490</b>	<b>482</b>	<b>1.8%</b>	<b>373</b>	<b>31.5%</b>
Employee cost	17	17	1.7%	13	33.0%
Programming and other costs	158	147	7.2%	210	-24.9%
Selling and distribution expenses	76	82	-7.5%	68	11.5%
Other operating costs	96	91	5.9%	15	542.5%
Other expenditure	23	23	1.4%	-	
<b>EBITDA</b>	<b>120</b>	<b>122</b>	<b>-1.6%</b>	<b>67</b>	<b>79.2%</b>
<b>EBITDA Margin (Excl OI)</b>	<b>24.5%</b>	<b>25.3%</b>	<b>-80bps</b>	<b>18.0%</b>	<b>650bps</b>
Other income	8	9	-13.6%	2	289.0%
Depreciation	123	116	6.2%	90	36.9%
EBIT	5	15	-69.5%	-22	-120.8%
Interest cost	48	63	-24.4%	23	107.2%
PBT	-43	-49	-12.1%	-44	-2.1%
Tax	0	0		0	
<b>Net profit</b>	<b>-43</b>	<b>-49</b>	<b>-12.1%</b>	<b>-44</b>	<b>-2.1%</b>
<b>Net profit margin</b>	<b>-8.8%</b>	<b>-10.2%</b>	<b>-200bps</b>	<b>-11.8%</b>	<b>-300bps</b>

Source: Company data, KRChoksey Research

**Key Highlights of the Concall**

- Dish TV added 0.74mn new subscribers in Q3FY12 achieving a total of 12.5mn gross and 9.5mn net subscribers at the end of the quarter.
- Around 5% new subscribers have opted for HD services.
- The company has reduced new subscriber addition from 3 to 3.5 mn to 2.6mn to 2.7mn in FY12. For the industry, it expects 12-13 mn subscriber addition.
- Dish TV's incremental market share has been 24%.
- ARPU for the quarter was Rs 152.
- ARPU for HD services stood at Rs 400.
- Subscriber acquisition cost for the quarter was Rs 2124.
- Dish TV has rupee debt of Rs 4.5bn and USD debt of Rs 7.5bn.
- Advertising revenue for the quarter was Rs 4cr.
- The company 1.4mn set up boxes out of which 0.9mn are with distributors and 0.4mn is with the company.

**Exhibit 4: Income Statement**

Particulars, Rs Cr	FY10	FY11	FY12E	FY13E
<b>Total income</b>	<b>1085</b>	<b>1437</b>	<b>1753</b>	<b>2103</b>
Cost of traded goods	2	2	2	2
Operating expenses	690	784	862	948
Employee cost	51	76	87	101
Admin & Other expenses	52	79	87	96
Selling & distribution expenses	177	257	285	320
Total expenditure	973	1199	1324	1467
<b>EBITDA (Excl OI)</b>	<b>112</b>	<b>238</b>	<b>428</b>	<b>637</b>
Other income	45	123	50	70
<b>EBITDA (Incl OI)</b>	<b>157</b>	<b>361</b>	<b>478</b>	<b>707</b>
Depreciation	323	400	479	575
EBIT	-166	-39	-1	131
Interest cost	97	153	149	141
PBT	-263	-192	-150	-10
Tax expenses	-1	0	0	0
<b>PAT</b>	<b>-262</b>	<b>-192</b>	<b>-150</b>	<b>-10</b>

Source: Company data, KRChoksey Research

**Exhibit 5: Balance Sheet**

Particulars Rs Cr)	FY10	FY11	FY12E	FY13E
<b>Sources of fund</b>				
Share Capital	106	106	106	106
Reserves & Surplus	1,528	1,531	1,382	1,372
Net worth	1,634	1,638	1,488	1,478
Total debt	932	1,076	969	920
<b>Total</b>	<b>2,567</b>	<b>2,714</b>	<b>2,457</b>	<b>2,398</b>
<b>Application of funds</b>				
Net Block	1,105	1,444	1,530	1,653
CWIP	354	458	476	524
Investments	356	200	225	225
Inventories	3	4	7	12
Sundry debtors	36	23	38	46
Cash and bank balances	555	339	412	515
Other current assets	1	2	5	12
Loans and advances	496	254	360	403
less: Current liabilities	1,424	1,308	1,681	2,017
less: Provisions	172	302	360	403
Net current assets	-506	-988	-1,225	-1,444
<b>Total</b>	<b>2,567</b>	<b>2,714</b>	<b>2,457</b>	<b>2,398</b>

Source: Company data, KRChoksey Research

**Exhibit 6: Cash Flow**

Particulars, Rs Cr	FY10	FY11E	FY12E	FY13E
Cash flow from operating activities				
Profit before taxation	-262.8	-192.2	-149.8	-10.1
Operating profit before working capital changes	124.2	248.7	478.4	706.6
Net cash from operating activities	233.0	394.8	425.6	602.1
Net cash from/ (used) in investment activity	-873.5	-674.9	-311.5	-406.4
Net cash flow used in financing activity	1121.8	655.4	-41.1	-92.9
<b>Net increase/ (decrease) in cash &amp; cash equivalent</b>	<b>474.4</b>	<b>-216.3</b>	<b>73.4</b>	<b>103.0</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>80.5</b>	<b>554.9</b>	<b>338.6</b>	<b>412.0</b>
<b>Cash &amp; cash equivalent at the end of the year</b>	<b>554.9</b>	<b>338.6</b>	<b>412.0</b>	<b>515.0</b>

Source: Company data, KRChoksey Research

**Exhibit 7: Ratios**

Particulars	FY10	FY11E	FY12E	FY13E
EBITDA Margin %	10%	17%	24%	30%
Net Profit Margin %	-24%	-13%	-9%	0%
eps, Rs	-2.5	-1.8	-1.4	-0.1
p/e, x	-23.5	-32.1	-41.1	-613.3
P/BV, x	3.8	3.8	4.1	4.2
ev/ebitda, x	58.6	29.0	15.7	10.3

Source: Company data, KRChoksey Research

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Dish TV India Ltd			
	CMP (Rs)	TP (Rs)	Recommendation
20-Jan-2012	58	70	BUY
20-Oct-2011	76	86	HOLD
20-Jul-2011	89	99	HOLD
24-May-2011	72	82	HOLD

Rating Legend	
Our Rating	Upside
Buy	More than 15%
Hold	5% - 15%
Reduce	0 - 5%
Sell	Less than 0%

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