

October 19, 2011

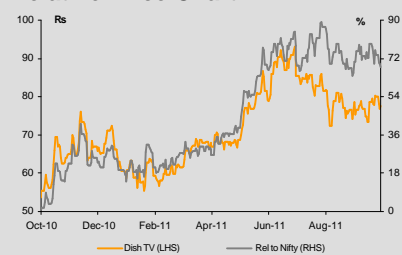
Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs77	Rs96
EPS change FY12E/13E (%)	-137/ NA
Target Price change (%)	NA
Nifty	5,139
Sensex	17,085

Price Performance

(%)	1M	3M	6M	12M
Absolute	0	(17)	14	39
Rel. to Nifty	1	(8)	30	68

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Entertainment
Bloomberg	DITV@IN
Equity Capital (Rs mn)	1064
Face Value(Rs)	1
No of shares o/s (mn)	1064
52 Week H/L	94/54
Market Cap (Rs bn/USD mn)	82/1,668
Daily Avg Volume (No of sh)	4321930
Daily Avg Turnover (US\$m)	7.1

Shareholding Pattern (%)

	Jun-11	Mar-11	Dec-10
Promoters	64.8	64.8	64.8
FII/NRI	22.3	20.2	19.5
Institutions	6.2	6.4	6.2
Private Corp	2.7	4.3	4.8
Public	4.1	4.3	4.7

Source: Capitaline

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Subscriber addition moderates, ARPU uptick on track

- **Net loss for the quarter expanded to 486mn due to Rs304mn of forex loss pertaining to its USD denominated debt of Rs7.5bn**
- **EBITDA improved 8.6% qoq on account of strong revenue growth and lower programming and content exp. (declined 6.3% qoq)**
- **Revenue stood at Rs4.8bn up 4.8% qoq, lower than our est. of Rs4.9bn. ARPU improved sequentially to Rs152 v/s Rs150. Subscriber edition declined to 0.57mn v/s 0.73 in Q1FY12**
- **EBITDA improvement to continue, profitability on track. Valuations at 16.8x and 12.3x EV/EBITDA of FY12E and FY13E, resp. Retain ACCUMULATE with TP of Rs96**

Operating performance in line, forex loss dragged bottom-line

Dish TV standalone performance was in but forex loss dragged the bottom-line during the quarter. Subscription revenue was at Rs4.1bn (our est. of Rs4.2bn) up 5.2% qoq. Selling & distribution exp includes pre-booking expenses to the tune of Rs180mn out of which ~Rs140mn would be written back in next quarter. Despite of higher one-time exp in the quarter, company reported strong EBITDA of Rs1.2bn. EBITDA margin at 25.3% improved 90bps qoq. Total loss for the quarter stood at Rs486mn which includes forex loss of Rs304mn. Adj. loss for the quarter was at Rs181mn v/s 183mn in Q1FY12.

Subscriber addition moderates, ARPU on uptrend

Dish TV added 0.57 million subscriber v/s our expectation of 0.68 million. ARPU during the quarter improved to Rs152 v/s Rs150 in Q1FY12 and HD ARPU was at Rs454. SAC during the quarter increased to Rs2232 v/s 2058 in last quarter. Subscriber market share stood at ~24% for H1FY12. We have revised our estimates for subscriber addition for FY12E to 2.9mn v/s 3.0mn earlier, given the moderation in H1FY12.

EBITDA margin improvement & losses contraction to continue

EBITDA for the quarter at Rs1.2bn improved 8.6% qoq with EBITDA margin improving 90bps to 25.3%. The improvement was led on the back of lower programming and other cost which declined 6.4% qoq. However, the company has charged ~Rs180mn in other expenditure as pre-booking expenses during the quarter, had not been charged EBITDA would have been robust. We est. EBITDA margin of 26.9% /28.7% for FY12E /FY13E.

Outlook and Valuation

Subscriber addition has seen significant moderation, however management maintains its guidance of 3.0mn -3.5mn subscriber addition for FY12E. We feel the guidance is optimistic and we have cut our estimate on subscriber addition from 3.0mn to 2.9mn (it has added 1.3mn in H1FY12). Our ARPU estimate for FY12E stands at Rs151.4.

Management has guided for reversal of Rs140mn charged in current quarter for pre-booking exp. and cut in the ad expenditure for current fiscal from Rs1.1bn to Rs850mn would support the incremental improvement in H2FY12E. We have revised our EBITDA estimates upwards for FY12E by 3.6%. Net loss estimate for FY12E stands at Rs564mn, it's higher on account of Rs304mn forex loss. Maintain ACCUMULATE on the stock with revised target price of Rs96. At CMP of Rs77 stock trades at 16.8x /12.3x EV/EBITDA of FY12E / FY13E, respectively.

Financial Snapshot

Y/E	Rs Mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	P/E	EV/EBITDA	P/BV
March										
FY10	10850	1117	10.3	-2622	-2.5	NA	-9.1	NA	77.0	5.0
FY11	14367	2380	16.6	-1920	-1.8	NA	-5.9	NA	37.6	5.0
FY12E	20146	5416	26.9	-523	-0.5	-72.7	-3.2	NA	16.8	5.0
FY13E	25294	7267	28.7	825	0.8	-257.6	5.0	99.7	12.3	5.0

Revision in estimates

We have revised our estimates largely on the revenue front, led by moderation in subscriber addition. We have cut our estimate for subscriber addition to 2.9mn from 3.0mn for FY12E. Secondly, led by lower subscriber addition we have revised our lease rental revenues downwards for FY13E which is leading to 2.9% decline in overall revenues. On the EBITDA front, with the downward revision of ad expenditure guidance by management (reduced from Rs1.1bn to Rs850mn) would be positive for incremental EBITDA in H2FY12E.

	FY12E			FY13E		
	Old	New	Chg %	Old	New	Chg %
Revenue	20,771.9	20,146.0	-3.0%	26,061.3	25,293.9	-2.9%
EBIDTA	5,226.0	5,416.2	3.6%	7,270.0	7,266.9	0.0%
EBIDTA %	25.2	26.9	173 bps	27.9	28.7	83 bps
PAT	-221.3	-523.3	-136.5%	824.9	824.9	0.0%
EPS	-0.2	-0.5	-136.5%	0.8	0.8	0.0%

Key metrics

Particulars	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12
Gross subscribers	6.46	6.90	7.54	8.31	9.44	10.44	11.16	11.74
Net active subscribers	5.37	5.66	6.18	6.80	7.27	8.50	8.93	9.16
Subscriber addition	0.55	0.44	0.64	0.77	1.10	1.00	0.73	0.58
ARPU	135	138	139	139	142	150	150	152
Churn Rate	0.7%	0.7%	0.7%	0.7%	0.9%	1.0%	1.1%	-
SAC	2477	2383	2147	2083	2142	2224	2058	2232

Revenue break-up

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12
Subscription revenue	2,157	2,354	2,490	2,700	3,100	3,550	3,920	4,124
lease rentals	375	375	450	450	520	550	550	550
Others	254	308	103	110	112	230	136	149
Total	2,786	3,037	3,043	3,260	3,732	4,330	4,606	4,823

Quarterly financials

Particulars	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD'12	YTD'11	YoY (%)
Sales	3,261	3,732	4,330	4,604	4,823	47.9	4.8	9,427	6,304	49.5
Expenditure	2763.5	3065.0	3427.8	3482.3	3604.3	30.4	3.5	7087	5485	29.2
Programming cost	1824.0	2097.0	2154.4	2459.8	2367.9	29.8	(3.7)	4,828	3,618	33.4
as % of sales	55.9	56.2	49.8	53.4	49.1			51.2	57.4	
Employee Cost	129.8	134.3	179.5	174.4	171.3	32.0	(1.8)	346	253	36.8
as % of sales	4.0	3.6	4.1	3.8	3.6			3.7	4.0	
S&D expenses	657.8	682.1	836.8	604.7	818.3	24.4	35.3	1,423	1,328	7.1
as % of sales	20.2	18.3	19.3	13.1	17.0			15.1	21.1	
Other operating expenses	151.9	151.6	257.1	243.4	246.8	62.5	1.4	490	286	71.6
as % of sales	4.7	4.1	5.9	5.3	5.1			5.2	4.5	
EBITDA	498.0	666.6	901.7	1121.5	1218.4	144.7	8.6	2,340	820	185.4
Depreciation	843.2	901.8	1020.2	1107.4	1162.2	37.8	4.9	2269.6	1732.0	31.0
EBIT	-345.2	-235.2	-118.5	14.1	56.2	116.3	298.6	70	-912	107.7
Other Income	24.8	17.4	187.8	136.7	92.0	271.6	(32.7)	228.7	93.3	145.0
Interest	131.2	225.0	439.8	334.0	634.0	383.3	89.8	968.0	264.7	265.7
PBT	-451.7	-442.8	-370.5	-183.2	-485.8	(7.6)	(165.2)	-669.0	-1083.5	38.3
Tax	0.0	0.0	0.0	0.0	0.0			0.0	0.0	
PAT	-451.7	-442.8	-370.5	-183.2	-485.8	(7.6)	(165.2)	-669.0	-1083.5	38.3

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	15.3	17.9	20.8	24.4	25.3	999	90	24.8	13.0	1,182
EBIT	(10.6)	(6.3)	(2.7)	0.3	1.2	1,175	86	0.7	(14.5)	1,521
EBT	(13.8)	(11.9)	(8.6)	(4.0)	(10.1)	378	-609	(7.1)	(17.2)	1,009
PAT	(13.8)	(11.9)	(8.6)	(4.0)	(10.1)	378	-609	(7.1)	(17.2)	1,009
Effective Tax rate	-	-	-	-	-	-	0	-	(0.0)	0

Financials

Income statement

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
Net Sales	10,850	14,367	20,146	25,294
<i>Growth (%)</i>	<i>47%</i>	<i>32%</i>	<i>40%</i>	<i>26%</i>
Raw material		7,838	10,134	12,720
Employee cost	516	761	846	1,012
SG&A expenses	1,771	2,572	2,614	2,927
Other operating expenses	544	815	1,135	1,368
Total operating expenditure	9,733	11,986	14,730	18,027
EBITDA	1,117	2,380	5,416	7,267
<i>Growth (%)</i>	<i>NA</i>	<i>113%</i>	<i>128%</i>	<i>34%</i>
Depreciation	3,227	3,996	4,740	5,679
<i>EBIT</i>	<i>-2,111</i>	<i>-1,615</i>	<i>676</i>	<i>1,588</i>
EBIT margin (%)	-19.5	-11.2	3.4	6.3
Other Income	453	1,226	409	320
Interest expenses	971	1,534	1,608	1,083
PBT	-2,628	-1,923	-523	825
Tax	-6	-3	0	0
<i>Effective tax rate (%)</i>	<i>0.23</i>	<i>0.15</i>	<i>0.00</i>	<i>0.00</i>
PAT	-2,622	-1,920	-523	825

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
PAT	-2,622	-1,920	-523	825
Depreciation	3,227	3,996	4,740	5,679
Other Non-Cash items	-6	0	0	0
Net change in working capital	1,455	2,662	1,472	1,611
Operating cashflows	2,055	4,737	5,689	8,115
Capital expenditure	-4,469	-8,426	-7,100	-6,841
Investments	-3,561	1,561	0	0
Investing Cashflow	-8,031	-6,865	-7,100	-6,841
Equity Capital Raised	375	1	0	0
Loans Taken / (Repaid)	-2,170	1,441	1,326	-1,500
Other financing	12,498	32	0	0
Adjustment for Amalgamation	0	-1,511	0	0
Financing Cashflow	10,704	-38	1,326	-1,500
Net chg in cash	4,728	-2,165	-85	-227
Opening cash position	831	5,558	3,393	3,308
Closing cash position	5,558	3,393	3,308	3,081

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
Equity share capital	1,062	1,063	1,063	1,063
Reserves & surplus	15,282	15,314	15,314	15,314
Net worth	16,344	16,377	16,377	16,377
Loan Funds	9,322	10,763	12,089	10,589
Net deferred tax liability	0	0	0	0
Total Liabilities	25,667	27,140	28,466	26,966
Gross Block	18,344	25,131	32,231	39,072
Less: Depreciation	7,298	10,694	15,434	21,113
Net block	11,046	14,437	16,797	17,960
Capital work in progress	3,541	4,580	4,580	4,580
Investment	3,561	2,000	2,000	2,000
Current Assets	10,911	6,222	5,927	5,529
Inventories	28	44	62	78
Sundry debtors	359	227	381	396
Cash & bank balance	5,558	3,393	3,308	3,081
Other Current Assets	7	19	27	33
Loans & advances	4,959	2,539	2,150	1,940
Current liab & Prov	15,960	16,098	17,360	18,799
Current liabilities	4,372	5,773	6,922	8,324
Other Liab	9,870	7,304	6,817	6,535
Provisions	1,718	3,021	3,622	3,940
Net current assets	-5,049	-9,876	-11,433	-13,271
Profit and loss	12,568	15,999	16,522	15,697
Total Assets	25,667	27,140	28,466	26,966

Ratios

Y/E, Mar	FY10	FY11E	FY12E	FY13E
Profitability (%)				
Core EBITDA Margin	10.3	16.6	26.9	28.7
Net Margin	-24.2	-13.4	-2.6	3.3
ROCE	-5.5	-3.7	1.5	3.7
ROE	-9.1	-5.9	-3.2	5.0
RoIC	-29.2	-10.8	3.8	8.9
Per Share Data (Rs)				
EPS (adjusted)	-2.5	-1.8	-0.5	0.8
CEPS	0.6	2.0	4.0	6.1
BVPS	15.4	15.4	15.4	15.4
Valuations (x)				
PER	-31.4	-42.8	-157.1	99.7
P/CEPS	135.8	39.6	19.5	12.6
P/BV	5.0	5.0	5.0	5.0
EV / Sales	7.9	6.2	4.5	3.5
EV / EBITDA	77.0	37.6	16.8	12.3
Gearing Ratio (x)				
Net Debt/ Equity	0.0	0.3	0.4	0.3
Net Debt/EBIDTA	0.2	2.3	1.3	0.8

Recommendation History: Dish TV – DITV IN

Date	Reports	Reco	CMP	Target
15/09/2011	Dish TV Event Update	Accumulate	76	96
20/07/2011	Dish TV Q1FY12 Result Update	Accumulate	89	99
21/06/2011	Dish TV Initiating Coverage Report	Accumulate	79	93

Recent Research Reports

Date	Reports	Reco	CMP	Target
11/10/2011	Telecom Sector Update			
29/09/2011	Analogue cable distribution Sector Update			
17/08/2011	Reliance Communication Q1FY12 Result Update	Hold	77	82
10/08/2011	Lakshmi Machine Works Q1FY12 Result Update	Accumulate	2,056	2,535

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