

COMMENT

Dish TV India (DSTV.BO) Rs59.05

Price competition continues to dampen prospects; maintain Neutral

News

Tata Sky, one of Dish TV's key competitors, has slashed the upfront price for a set-top box and associated hardware by about 37% to Rs999, from Rs1,599 earlier. As part of this, the subscriber gets the set-top box, the dish and installation done for Rs999. The minimum subscription charges, however, remain unchanged at Rs160 per month.

Analysis

The upfront prices across DTH operators vary from Rs1,400 to Rs1,800. However, most other players usually offer content bundled with this. Dish TV for example, has a package at Rs1,390 which includes the equipment and installation and two months' subscription. So, adjusting for the content part of the package at an average of Rs160 per month, Dish TV's package cost for just the equipment comes to about Rs1,070.

The magnitude of the price cut reinforces our view that competition in the Indian DTH space still remains intense. Given that there is no content exclusivity, as in some of the other markets, **pricing continues to be the key differentiating factor in the six-player market.**

Implications

We believe that the chances of Dish TV going for a significant price cut seem low, as it already has comparable packages and because of the shift that we see in the company's focus towards improving profitability rather than increasing market share – given that it is close to having a critical mass of subscribers.

Dish TV's stock price has risen about 19% in the last month, mainly due to expectations of strong subscriber additions going into the festive season and also on the back of a likely renewed push for digitization of digital platforms. However, we believe that the key for Dish TV is its ability to increase ARPU, and price cuts by competitors definitely limit Dish TV's ability to improve its ARPU. Thus, we retain our target price and our Neutral rating on the stock.

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Neutral

Coverage View: NeutralIndia
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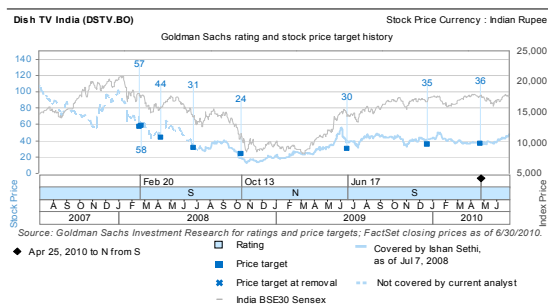
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