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Summary

The DTH industry growth has surpassed all the expectations by growing at an unprecedented pace. India, an analog cable dominated market, is getting converted to a market where the digital cable has a substantial say as well. We believe that with the continuing momentum, India is going to supercede US in terms of the number of subscribers. Also, it is believed that ,in the medium term the revenue would be in the ratio of 60:40 for DTH and cable respectively.

Because of such visible potential in the DTH space, the competition has grown from a single player market to six players at present. The major players are : Dish TV (Essel Group), Tata Sky (Tata Group and Sky Group), Airtel (Bharti Group), BIG TV (ADAG Group), Sun Direct(Sun TV Group), Videocon D2H (Videocon Group). Dish TV, the frontrunner in the DTH space, holds the maximum market share of 31% as on January 2011. Unlike the global players, the Indian DTH players can't have content exclusivity as per the government norms. They tie-up with content providers for better rates.

Dish TV holds the leadership position in the DTH segment with 7.7 mn net subscribers base for the end of September quarter, 2010. Dish TV's platform has 240 channels & services, including 22 audio channels. It has a distribution network of 800 distributors and 48,000 dealers spread around 6,600 towns across the country. Dish TV enjoys the pricing advantage that it gets from the STB (Set Top Boxes) vendors. Along with this, it has also increased its HD channel offering by increasing its bandwidth and taking up the number of channels to 30 (nearest competitor has 5 HD channel to offer); this step is considered as a major breakthrough for its probable contribution to ARPU.

International Valuation

EV/EBITDA (x)	CY08 / FY09	CY09 / FY10	CY10E / FY11E	CY11E / FY12E
Dish Network	5.4	4.4	5.4	4.7
Comcast Corp	7.1	6.5	6.6	6.2
Shaw Comm	8.2	7.7	7.5	7.0
British Sky Broadcasting	12.9	13.2	11.1	9.3
Directv	7.8	7.1	6.7	6.0
AVERAGE	8.3	7.8	7.5	6.6
DISH TV	-41.4	35.5	14.4	8.7

Source: Bloomberg, All companies following Dec YE **except Shaw Comm (Aug), BSB (June) and Dish TV (March)

Industry Overview

India at a Glance

The Indian DTH industry showed a high growth momentum in the last year where the number of TV Households increased at a rate of 4% to 141 mn. The penetration of TV households increased from 60% in 2009 to 61% in 2010. The TV penetration in India is still lower as compared to developed countries which have an average penetration at more than 97%. China is at 98%.

Key Statistics (Mn)	2008	2009	2010	2011E	2012E
Total HHs	221	223	232	242	249
TV HHs	125	136	141	147	153
TV Penetration (%)	57	61	61	61	61
C&S HHs	77	105	116	126	135
C&S Penetration (in TV HHs) (%)	62	77	82	86	88

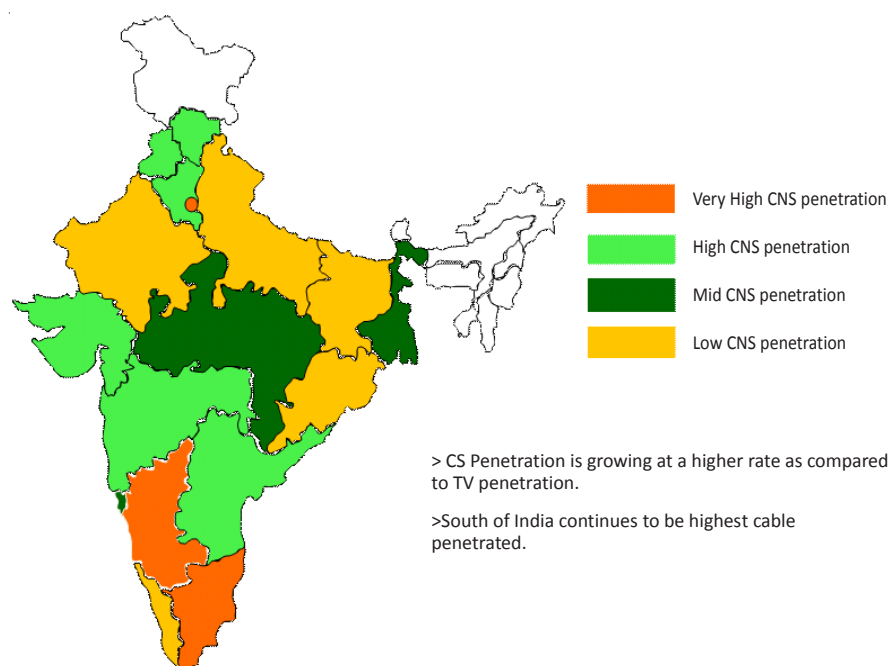
Source: Company Presentation (MPA Report), IndiaNivesh Research

The penetration in C&S Households increased from 77% in 2009 to 82% in 2010 of total TV Households. The total number of C&S Households now stands at 105 mn. The growth was majorly driven from the digital homes added.

Key Statistics (Mn)	2007	2008	2009	2010	2011E	2012E	2013E	2014E
C&S HHs	82	94	105	116	126	135	142	149
DTH Subscribers	4	10	18	31	36	41	45	60
DTH Penetration (in C&S HHs) (%)	5	11	18	26	29	30	32	40

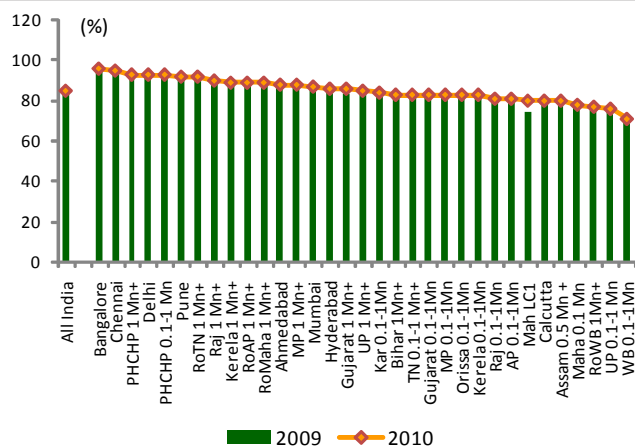
Source: Company Presentation, IndiaNivesh Research

All India Cable Penetration (CNS% of Total HHs) – High Potential lies ahead

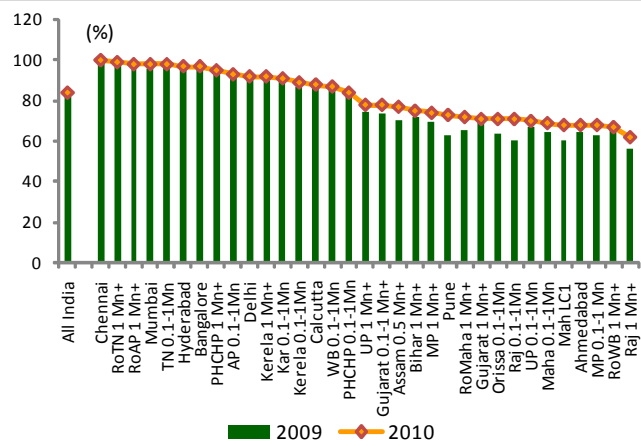


Source: NRS, IndiaNivesh Research

TV Penetration - Market : All India Urban Class 1 +Mah LC1

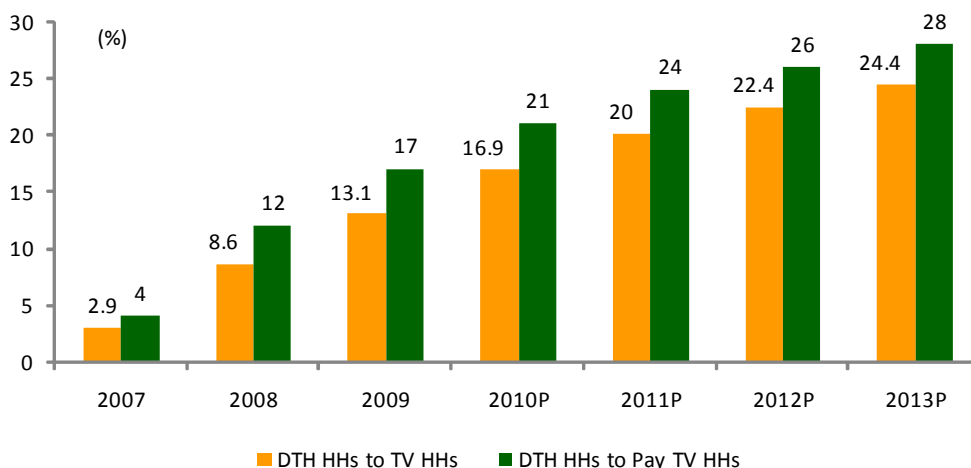


C&S Penetration - Market : All India Urban Class 1 +Mah LC1



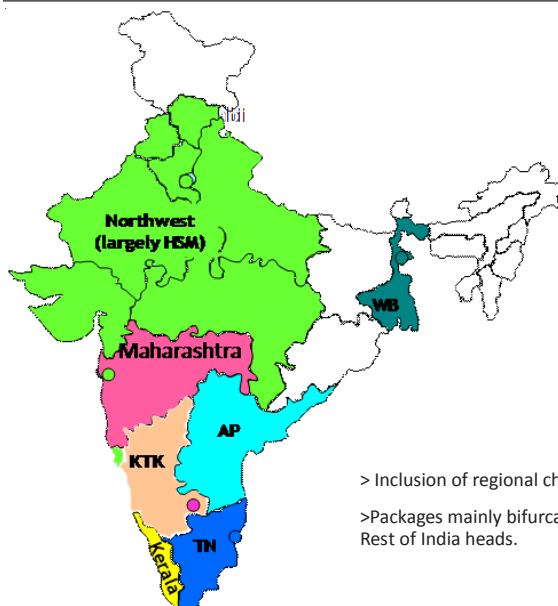
Source : TAM + IMRB + Nielson Baseline Study; Market : All India Urban Class 1 +Mah LC1; Period : Nov-Dec 2009

Increasing contribution of DTH to TV HHs and Pay TV HHs



Source: Company Presentation, IndiaNivesh Research

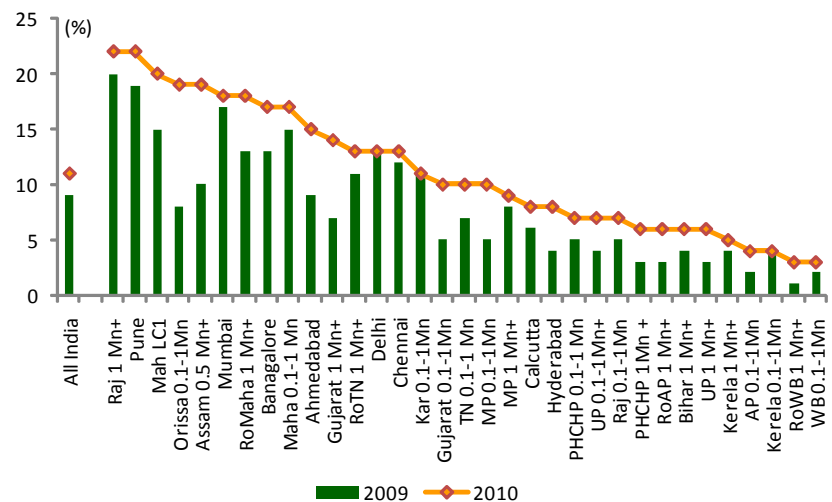
Media Markets in India :



> Inclusion of regional channels in the packages offered.
 > Packages mainly bifurcated under South India and Rest of India heads.

Source: NRS, IndiaNivesh Research

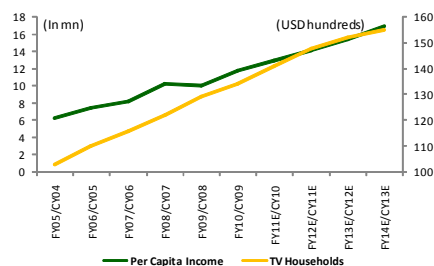
Increasing Digital Penetration, driven by Non-metro markets



Source : TAM + IMRB + Nielson Baseline Study; Market : All India Urban Class 1 +Mah LC1; Period : Nov-Dec 2009

Growing presence of DTH in India

- Surpassing the street estimates of 24mn, the DTH industry added 30.6 mn subscribers in the year 2010. The superior digital quality of video and sound along with interactive services and recording option of telecasts acts as boosters to the DTH subscription additions.
- Though DTH is comparatively expensive than cable service, the growth is coming from the rural area. The growth for the digital segment in rural areas were 34%, 49% and 64% in the past three years (source:- TAM Annual Universe Update –2010). The growth in the rural segment can be attributed to frequent power cuts in the rural areas. DTH platform gives the rural consumer access to their favorite programs, with the help of alternative power generators, which is not possible with the cable service in most of the areas. Also, with less numbers of alternatives for recreation, TV is a must in these households.
- As compared to the Analog medium, DTH has a larger bouquet of channels and a user-friendly interface.
- At present, Analog cable provides c.60% of the revenues for the industry. Considering the growth at which digital cable is growing, it is believed that the contribution to revenues from digital cable is going to get higher than analog cable in the short term.
- Also, the growth in disposable income combined with increased affordability of television sets has augmented the growth of DTH subscribers.
- Digitization also gives an increasing choice in channels across both mass entertainment and niche categories along with better picture and sound quality.



Source : IMF, Company Presentation, IndiaNivesh Research

Growth Drivers

- **Penetration in Cable-dry areas:** DTH has found great acceptability in areas where cable installation is either impossible or highly cost-accretive. Areas that have mountainous terrain such as Assam region have accepted DTH in a big way. States like Rajasthan and Maharashtra have had small towns and cities going for DTH connections.
- **Transparency in reporting:** Unlike the MSOs, DTH gives an accurate figure of the number of subscribers thereby enabling increased revenue generation for broadcasters. This has become one of the main reason that broadcasters prefer providing services to DTH rather than analog cable.

- **Carriage Capacity:** Analog cable is constrained with carriage capacity requirements whereas DTH gives the advantage of carrying more number of channels by paying almost the same amount. With the consumer ready to spend a little extra, DTH services becomes preferable over analog cable. With the increase in number of channels, DTH providers have also started levying carriage fees.
- **Gubernatorial Support:** With the government's support to digitization in the country after implementing CAS and the recent TRAI recommendation of digitization of India by the March 2015.
- **User-friendly Interface:** The consumer now wants an experience while watching TV. This has worked in the favour of DTH industry as they provide better user-interface, superior sound and picture quality and a bunch of value added services.

Key Regulations

Licensing	Total Foreign Investment limit of 49% (sub limit ceiling of 20% for FDI) Uplink centre to be india STBs to be BIS compliant License free at 10% of DTH Revenues Initial license validity of 10 years; Renewable.
Service Quality	Subscribers can be offered STBs on Rent/Hire - Purchase/Sale Mechanism to be in place for handling customer complaints & grievances
Inter-connect	Broadcasters have to provide content to all distribution platforms with flexible pricing Prohibits broadcasters from seeking guarantee for minimum number of subscribers
Reference Inter Connect	Pricing information on content of the broadcaster Maximum of 50% of non-CAS cable rates A-la-carte offering to be allowed

Source: Company Presentation, IndiaNivesh Research

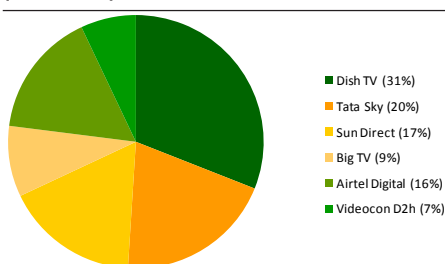
Phase	Area suggested by TRAI	Time frame recommended by TRAI	IB Ministry's Proposal
I	Metros	31st March '11	31st March '12
II	Area with population > 1 mn	31st December '11	31st March '13
III	All urban areas	31st December '12	30th November '14
IV	Rest of India	31st December '13	31st March '15

Source: Government of India, IndiaNivesh Research

- As per TRAI's (Telecom Regulatory Authority of India) recommendation dated 30th June '10 is to increase the FDI limit for DTH to 74%. The recommendation is still pending approval.

With the boom in DTH industry, we believe the growth would continue at a CAGR of 20% (2010-2013E). With the increase in acceptability from non-urban as well as urban areas and continuous support from the government, the DTH industry is likely to maintain its momentum with the same speed.

Market Share of the DTH Service Providers (Dec. 2010)



Source: Company Presentation, IndiaNivesh Research

Competitive Landscape in DTH

Digitization in cable has brought revenue sharing concepts which are largely driven by consumers who demand superior picture and sound quality, an interactive medium and value added services. The competition in Indian DTH industry stands with 6 players with Dish TV having the maximum market share of 31%. Also, our channel checks suggests that players like Airtel and Videocon along with the market leader Dish TV have been the frontrunners in the addition of new subscribers.

Compression in ARPU

With the increase in competition in the DTH industry, the companies are forced to lure the customers to choose their services over the competition in order to increase the subscriber base and keep a check on the churn rate. The market is witnessing hyper competition in the DTH industry. It becomes all the more difficult for new players to keep a check on their subscriber acquisition cost. ARPU is expected to remain in the same range. However, considering the broader picture, ARPU for DTH industry will be growing fastest but still be lowest in terms of absolute numbers.

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

Areas of Concern

- The regulatory support from the government is going to be beneficial for the MSOs as we expect greater participation from MSOs like Den, Hathway to increase and also having better revenue opportunities as the MSOs are focusing more on acquisition of smaller MSOs and LCOs to gain control. This would mean increase in competition for acquiring a subscriber.
- As per ICRA's estimates, around Rs. 15,000 crs would be required for complete digitization. At present, Rs.2000 crs have already been incurred by MSOs to acquire smaller regional MSOs and LCOs and Rs.13,000 crs by DTH players towards customer acquisition. This means capital mobilization which could lead to gradual increase in subscription costs.
- The sector is subjected to a significant amount of regulatory guidelines as it falls under the purview of media. Issues like license fees, content, pricing etc have been impacting the performance of the sector.

Outlook

The DTH industry is witnessing a boom right now which is going to continue on the back of the consumption story that India is writing at present. The DTH industry is growing in areas which are termed as "cable-dry" areas because of the inaccessibility of wiring etc. These areas come under the non-urban segment or as termed as tier-I, II cities, there has been high growth in such areas thereby resulting in high penetration level increase of the DTH subscriber base. The management of the only listed DTH company also agrees to the fact that the growth is coming more from these areas as in the urban areas the competition is from the other DTH players as well as MSOs thereby making it further intense. Along with this, the government has also pulled up its socks to digitize the entire nation thereby giving the DTH industry further boost. Hence, we expect the industry to grow at a CAGR of 20% (2010-2013E).

The Indian DTH industry is governed by six major players with Dish TV as the pioneer in bringing DTH to the nation as early as in 2003. Since then, it has been able to sustain its market leadership and grow at an unprecedented rate. With the circumstances favoring the company's growth along with strong management, we initiate coverage on the only publicly listed DTH service provider in India with a Target Price of Rs.61.

CMP : Rs.59**Reco : HOLD****Target : Rs.61****Dish TV****STOCK INFO**

BSE	532839
NSE	DISHTV
Bloomberg	DITV IN
Reuters	DSTV BO
Sector	Media
Face Value (Rs.)	1
Equity Capital (Rs Mn.)	1063.4
Market Cap (Rs Mn.)	63485.0
52 Week H/L (Rs.)	77/35
Daily Avg Volume (Shares)	3,253,108

SHAREHOLDING PATTERN

%

(as on 31st Dec. 2010)

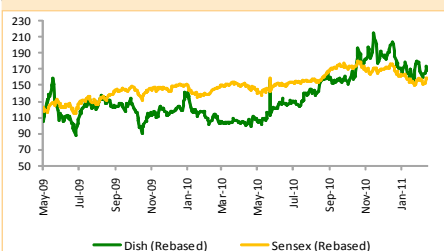
Promoters	64.7
FIs/FILs	14.4
Others	9.7

Source: Capitaline

STOCK PERFORMANCE (%)

	1m	3m	12m
Absolute	1.3	(21.7)	57.9
Rel. to Sensex	(0.9)	(14.1)	47.7

Source: Capitaline

Dish TV v/s SENSEX

Source: IndiaNivesh Research, Capitaline

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kakul.modani@indianivesh.in**DISH TV – Initiating Coverage**

- Dish TV is the only listed company in DTH services provider space. It has strengthened its product offering by adding 30 channels to its HD format and will be investing Rs.200 mn for the market offering. Currently Dish has about 15,000 HD subscribers, but the company is reportedly looking to have HD customer base of 300,000 to 400,000 by March 2012.
- **Increase in ARPU:** The company expects to increase its ARPU in the range of Rs. 450-550 from its HD business; the projected blended ARPU is likely to be Rs.150-157 for FY11E. With the onset of Cricket World Cup, the current quarter is going to give a huge push to the subscriber base as well as increase in ARPU. The effect of HD offering will be seen in the Q4 results.
- **Increase in bandwidth:** The company inked a deal seeking additional transponder capacity on AsiaSat 5 that will enable it to significantly up its DTH offerings.
- The regulatory push for digitization of cable distribution in India is an added benefit for Dish TV. The DTH space is regulated by the government and hence any positive recommendations and actions supports the viability of the company.

Risks and Concerns

- **Competitive Intensity:** The DTH market has now become a 6 player market. After Dish TV, our channel checks suggest that Videocon and Airtel are growing faster aided by aggressive marketing and lucrative offers. Dish, with over 30% of the market share, we believe going forward Company is going to stabilize below the 30% level.
- **Threat from Cable Operators :** With the provision of STBs from MSOs at a cheaper rate, the threat looms on the bigger players of the industry. The market share of these MSOs are negligible in front of these players but going forward we believe this would prove to be one of the prominent risks that would have to be catered to.
- **Capital Requirements:** We believe the foreign investment cap of 49% is going to be problematic going forward because there would be increase in the requirement of capital to realize the sunset date of analog cable by March, 2015.
- **Debt remains a big concern:** With the increase in capex requirement and in the increasing interest rate scenario, it is going to difficult for the DTH players to borrow funds. Dish TV already has around Rs.9660 mn as debt on its books and around Rs.3600 mn of Cash.

Valuation

We believe DCF methodology is the best way to value a company like Dish TV which has negative earnings. Based on the DCF analysis, we arrive at a 1-yr target price of Rs. 61 and recommend HOLD on the stock. The valuation is sensitive to the cost of capital.

Standalone Financials

(YE Mar 31st) (Rs mn)	FY08	FY09	FY10	FY11E	FY12E	FY13E
Total Income	4,133	7,377	10,848	14,570	20,414	24,861
Operating profit	(2,146)	(1,350)	947	2,605	4,901	6,810
Net Profit	(4,132)	(4,519)	(2,621)	(1,605)	476	1,603
yoy change (%)	64.0	9.4	(42.0)	(38.8)	(129.7)	236.7
EPS (Rs)	(9.6)	(9.4)	(2.8)	(1.5)	0.4	1.5
OPM (%)	(51.9)	(18.3)	8.7	17.9	24.0	27.4
RoA (%)	(36.6)	(37.4)	(27.3)	(10.5)	(5.5)	1.7
P/E (x)	NM	NM	NM	NM	NM	NM
EV/EBITDA (x)	(31.9)	(54.9)	69.3	26.6	13.9	10.0

Source: Company; IndiaNivesh Research Estimates

Investment Rationale

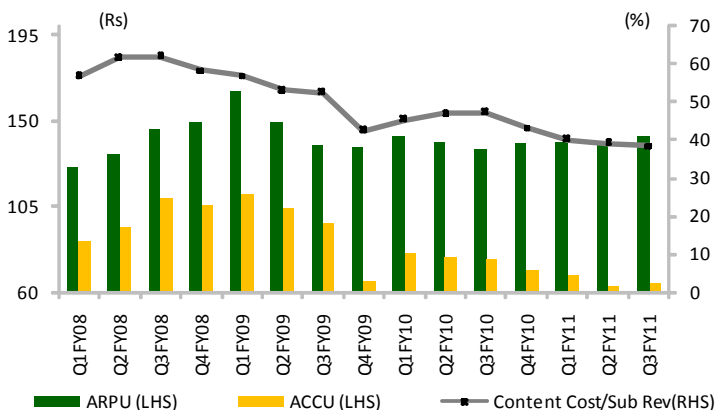
Increase in transponder capacity to augment HD offering

The company inked a deal seeking additional transponder capacity on AsiaSat 5 that will enable it to significantly up its DTH offerings. It will be utilizing four 54 MHz Ku-band transponders on AsiaSat 5 to enhance its HD and SD offerings. This has enabled Dish to offer the maximum number of channels in a package giving it a huge competitive advantage. Dish TV strengthened its product offering by adding 30 channels to its HD format. Currently Dish has about 15,000 HD subscribers, but the company is reportedly looking to have HD customer base of 300,000 to 400,000 by March 2012. Also, according to the management, after the introduction of the HD channels, the daily box sales have witnessed an increase of 50-55% which if continued would be accretive to the ARPU increase.

ARPU – ACCU: Improvement in gross realization

We expect ARPU to be Rs. 142 and Rs. 152 for FY11E and FY12E respectively. As a result of declining bargaining power of broadcasters, we see content cost growing at a slower pace than overall subscription revenue for Dish and other DTH players. Most of the contracts are on total revenue paid rather than per subscriber basis which is a huge advantage to Dish in order to keep a check on its content cost. As we see, Company reported operating profits in FY10 driven by improving gross realization (ARPU-ACCU) resulting in better operating margin.

ARPU - ACCU

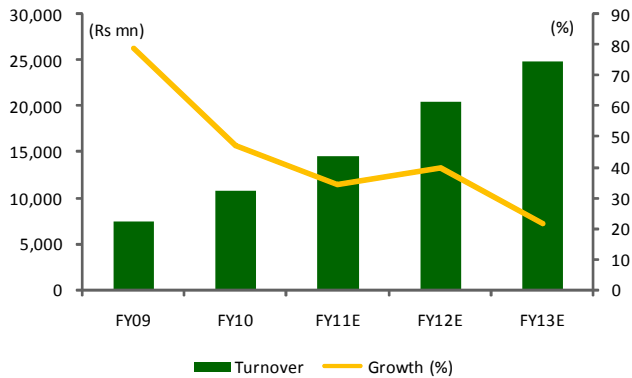


Source: Company; IndiaNivesh Research

Financial Performance and Future Outlook

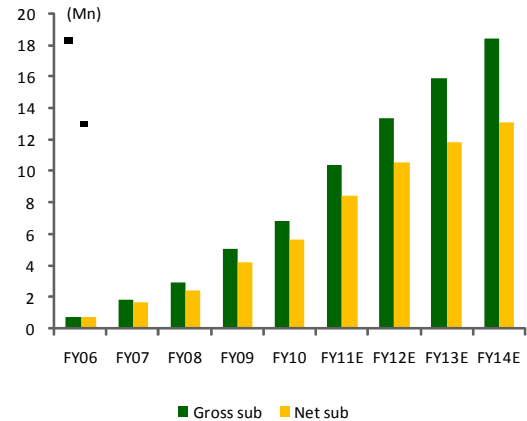
We estimate that the subscription revenue is going to increase at a CAGR of 43% (FY09-FY12E) with the subscriber addition projected to grow at a CAGR of 38.2% (FY09-FY12E). The EV/Subscriber for FY12E is Rs.6,166.

Increase in turnover



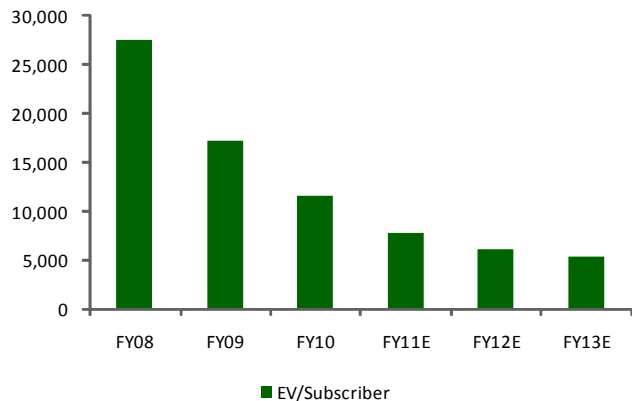
Source: Company, IndiaNivesh Research Estimates

Subscriber Addition



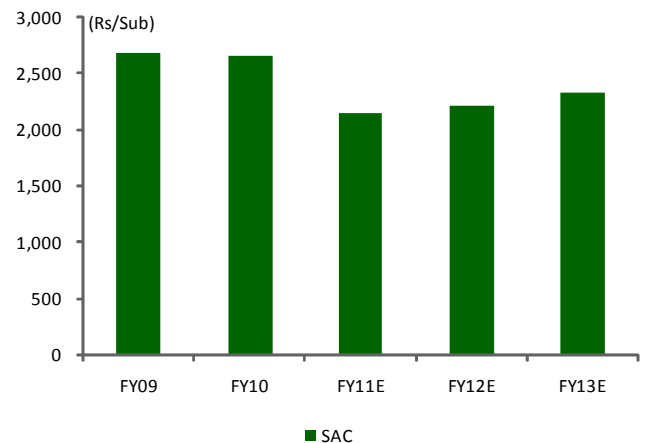
Source: Company, IndiaNivesh Research Estimates

EV/Subscriber



Source: Company, IndiaNivesh Research Estimates

Subscriber Acquisition Cost

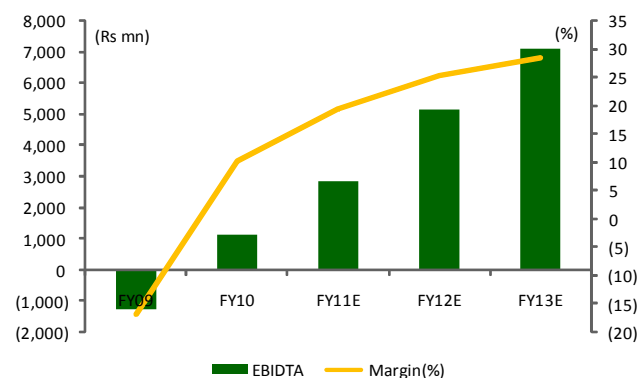


Source: Company, IndiaNivesh Research Estimates

SAC to remain around 2200 levels

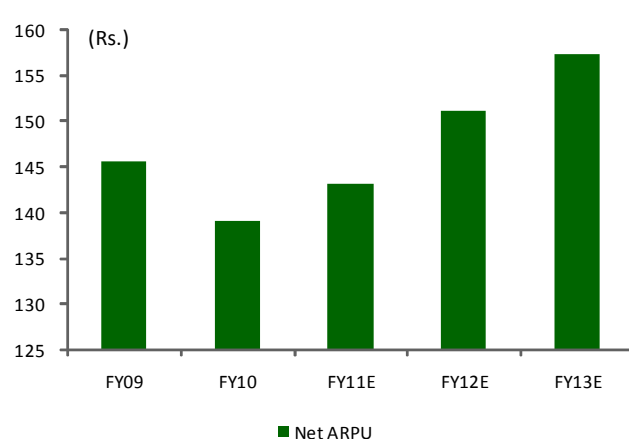
We believe that the competitive nature of the business and the numerous lucrative offers made by the DTH players is going to keep the SAC (subscriber acquisition cost) around the level of Rs.2200. SAC has two components – marketing spend and other content related discounts which are passed through the P&L, and the capitalized component (discount on STBs). Dish already gets STBs at the lowest rate in the industry and doesn't expect further scope of discounting albeit there is an increase in subscribers. The Dish TV management has also affirmed this belief stating that the revenue growth would come from the increase in subscriber majorly.

Operating level comfort



Source: Company, IndiaNivesh Research Estimates

ARPU : HD contribution to increase



Source: Company, IndiaNivesh Research Estimates

Improvement in Operating Metrics

After a EBITDA positive FY10, the operating metrics managed to push the stock performance in the medium term on the back of the strong momentum by the increase in the number of subscribers. As per the management, Dish would be able to sustain operating margin in the range of 20-25%.

International Peer Comparison

DTH has grown strongly over the past decade in the US as well as the European market. Most of this growth has come from displacing cable as well as fresh addition.

Dish TV turning Positive on operating level

Dish has done a commendable job in turning itself into EBITDA positive in four years of its listing. Internationally, Dish US took five years and DirecTV took almost six years for the same. The momentum in addition of subscriber along with the maximum number of channel offerings as well as HD segment concentration would help Dish turning earnings positive in the next two years.

	EBITDA Positive Yr	Date of Listing
Dish US	FY2001	June '96
DirecTV	FY2004	June '98
Dish TV	FY2010	April '07

Potential to increase the ARPU as a percentage of SAC:

Company Name	No. of Subscribers (In Mn)	Year of Incorporation	Date of Listing	ARPU	SAC	ARPU as a %age of SAC
Dish Network	14.28	1996	June '96	\$73.50	\$743	9.9
DirecTV	18.93	1990	June '98	\$88.98	\$724	12.3
British Sky broadcasting	9.956	1989	1994	GBP 514	GBP 5,573	9.2
Average						10.5
Dish TV	9	1997	2007	INR 139.00	INR 2,083.00	6.7

Internationally, ARPU accounts for 10.5% of SAC. For Dish, it's c.7% giving it headroom of another couple of percentage points. In India, CPE (Consumer Premise Equipment) costs account for 76% of the SAC while it is 32% for the global peers which results in this gap. Once the HD services are accepted the way they are anticipated to be, we would see a strong increase in the ARPU. We remain a little conservative on the ARPU level in the short term. Also, the churn for Indian DTH players is not as high as their global peers because of absence of content exclusivity as per the government norms.

Global Valuations

	CY08 / FY09	CY09 / FY10	CY10E / FY11E	CY11E / FY12E
Sales multiple (x)				
Dish Network	0.9	0.8	0.8	0.8
Comcast Corp	1.9	1.8	1.9	1.8
Shaw Comm	2.7	2.4	2.4	2.2
British Sky Broadcasting	2.4	2.4	2.2	2.1
Directv	1.7	1.5	1.5	1.4
AVERAGE	1.9	1.8	1.8	1.6
DISH TV	3.5	3.7	2.9	2.2
OPM(%)				
Dish Network	23.0	24.9	22.1	22.2
Comcast Corp	38.4	38.5	38.7	38.8
Shaw Comm	42.4	44.7	46.1	44.6
British Sky Broadcasting	20.2	20.0	21.5	23.5
Directv	24.4	26.3	26.8	27.4
AVERAGE	29.7	30.9	31.1	31.3
DISH TV	-16.7	10.8	20.0	25.9
P/E(x)				
Dish Network	16.2	10.4	12.0	10.7
Comcast Corp	19.7	19.4	20.1	17.7
Shaw Comm	16.5	16.8	15.8	14.1
British Sky Broadcasting	15.9	26.4	21.0	17.0
Directv	47.3	19.6	19.3	15.1
AVERAGE	24.9	16.6	16.8	14.4
DISH TV	-5.7	-14.0	-31.9	92.9
EV/EBITDA (x)				
Dish Network	5.4	4.4	5.4	4.7
Comcast Corp	7.1	6.5	6.6	6.2
Shaw Comm	8.2	7.7	7.5	7.0
British Sky Broadcasting	12.9	13.2	11.1	9.3
Directv	7.8	7.1	6.7	6.0
AVERAGE	8.3	7.8	7.5	6.6
DISH TV	-41.4	35.5	14.4	8.7
RoE (%)				
Dish Network	-31.5	-61.1	-72.5	-120.4
Comcast Corp	8.7	8.3	7.9	8.4
Shaw Comm	22.6	20.2	20.8	22.3
British Sky Broadcasting	354.0	120.4	134.5	92.4
Directv	22.8	131.6	184.8	113.4
AVERAGE	75.3	43.9	55.1	23.2
DISH TV	NA	NA	NA	NA

Source: Bloomberg, All companies following Dec YE **except Shaw Comm (Aug), BSB (June) and Dish TV (March)

Valuation

We believe DCF methodology is the best way to value a company like Dish TV which has negative earnings. Based on the DCF analysis, we arrive at a 1-yr target price of Rs. 61 and recommend HOLD on the stock. The valuation is sensitive to the cost of capital.

Assumptions

- Beta : 1.1
- Cost of Debt : 11%
- Cost of Equity : 14.2%
- Terminal Growth Rate : 3%

Dish TV is riding high on the growing subscriber base and has been able to deliver the growth almost every quarter after it became EBITDA positive. We like the pricing power that it has with STB vendors and the fixed fee model. The debt on its balance sheet, still, remains a concern along with the increase competition and the probably competition coming from the MSOs. It is doing the right things by acquiring additional transponder capacity and by being the pioneer in offering a large bouquet of HD channels at the right time with the Cricket World Cup going on.

Risks and Concerns

- **Competitive Intensity:** The DTH market has now become a 6 player market. After Dish TV, our channel checks suggest that Videocon and Airtel are growing faster aided by aggressive marketing and lucrative offers. Dish, with over 30% of the market share, we believe going forward Dish TV's market share is going to stabilize below the 30%.
- **Threat from Cable Operators :** With the provision of STBs from MSOs at a cheaper rate, the threat looms on the bigger players of the industry. The market share of these MSOs are negligible in front of these players but going forward we believe this would prove to be one of the prominent risks that would have to be catered to. However, Our study shows that even globally none of the two; DTH and Cable has been able to wipe out the other completely but the ratio of the revenue generation might change.
- **Regulatory and Technology Risks :** The sector is subjected to a plethora of regulatory guidelines as it falls under the purview of media. Issues like license fees, content, pricing etc have been impacting the performance of the sector.
- **Capital Requirements:** We believe the foreign investment cap of 49% is going to be problematic going forward because there would be increase in the requirement of capital to realize the sunset date of analog cable by March, 2015. As per ICRA's estimates, around Rs. 15,000 crs would be required for complete digitization. At present, Rs.2000 crs have already been incurred by MSOs to acquire smaller regional MSOs and LCOs and Rs.13,000 crs by DTH players towards customer acquisition.
- **Debt remains a big concern:** With the increase in capex requirement and in the increasing interest rate scenario, it is going to difficult for the DTH players to borrow funds. Dish TV already has around Rs.9660 mn as debt on its books and around Rs.3600 mn of Cash. With competition catching up, the debt is going to pose a high risk as compared to the parental lineage sheet of some of its peers. Also, the Cost of debt for Dish TV is on the higher side at 11-11.5%.

Standalone Financials

Income statement (Rs mn)

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Total revenues	7,377	10,848	14,570	20,414	24,861
% growth	78.5	47.1	34.3	40.1	21.8
Cost of Sales	6,448	7,962	9,474	12,914	15,587
SGA	2,509	2,018	2,769	2,899	2,789
EBITDA	(1,350)	947	2,605	4,901	6,810
% growth	(37.1)	(170.1)	175.1	88.1	38.9
Depreciation	2,154	3,038	3,528	3,663	4,013
EBIT	(3,504)	(2,091)	(923)	1,238	2,798
Interest	1,019	583	802	628	505
Other Income	13	53	120	100	100
EBT	(4,511)	(2,621)	(1,605)	711	2,393
Tax	8	0	0	235	790
Minority Interest	0	0	0	0	0
Reported PAT	(4,763)	(2,621)	(1,605)	476	1,603
EO Items	(244)	(0)	0	0	0
Adj. PAT	(4,519)	(2,621)	(1,605)	476	1,603
% growth	NA	NA	NA	NA	236.7

Source: Company; IndiaNivesh Research

Balance Sheet (Rs mn)

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Cash & equivalents	540	5,422	3,723	765	330
Debtors	507	338	406	487	585
Inventory	31	28	31	34	37
Others	7,744	8,045	11,035	9,347	10,197
Total Current Assets	8,822	13,834	15,195	10,633	11,148
Current Liabilities	15,883	15,560	18,056	18,843	18,614
Net Working Capital	(7,061)	(1,726)	(2,861)	(8,210)	(7,466)
Other assets					
Investments	945	2,506	945	945	945
Net Fixed Assets	11,187	12,401	13,975	15,459	15,819
Total assets	5,071	13,181	12,058	8,194	9,297
Other Liabilities	0	0	0	0	0
Debt	11,311	9,178	9,660	5,320	4,820
Shareholders' equity	687	1,062	1,062	1,062	1,062
Reserves	(6,928)	2,941	1,336	1,812	3,416
Total networth	(6,241)	4,003	2,398	2,874	4,478
Total Liabilities	5,071	13,181	12,058	8,194	9,297

Source: Company; IndiaNivesh Research

Cash flow (Rs mn)

	FY09	FY10	FY11E	FY12E	FY13E
EBT	(4,511)	(2,621)	(1,605)	711	2,393
Depreciation	2,152	2,510	3,528	3,663	4,013
Tax paid	(8)	(0)	0	(235)	(790)
Chg in Def. Tax Liability	0	0	0	0	0
Net working capital	4,501	(453)	(565)	2,391	(1,179)
Other Operating activities	(244)	(0)	0	0	0
Operating cash flow	1,890	(565)	1,358	6,531	4,437
Capital expenditure	(5,644)	(3,724)	(5,101)	(5,147)	(4,372)
Investments	0	(1,561)	1,561	0	0
Investing cash flows	(5,644)	(5,285)	(3,540)	(5,147)	(4,372)
Change in borrowings	1,045	(2,133)	482	(4,341)	(500)
Issuance of equity	3,049	12,865	(0)	0	0
Dividend paid	0	0	0	0	0
Financing cash flow	4,095	10,731	482	(4,341)	(500)
Net change in cash	341	4,882	(1,700)	(2,957)	(436)
Closing cash balance	540	5,422	3,723	765	330

Source: Company; IndiaNivesh Research

Ratio analysis (%)

	FY09	FY10	FY11E	FY12E	FY13E
EBIDTA margin	(18.3)	8.7	17.9	24.0	27.4
EBIT margin	(47.5)	(19.3)	(6.3)	6.1	11.3
Net profit margin	(61.3)	(24.2)	(11.0)	2.3	6.4
RoA	(37.4)	(27.3)	(10.5)	(5.5)	1.7
Inventory (days)	98	458	384	325	309
Payable (days)	239	261	207	160	147
Receivables (days)	22	14	9	8	8
Net debt to equity	(1.7)	0.5	2.5	1.6	1.0
Valuation parameters	FY09	FY10P	FY11E	FY12E	FY13E
Dil. No. of Shares (mn)	480	930	1,062	1,062	1,062
Diluted EPS (Rs)	(9.4)	(2.8)	(1.5)	0.4	1.5
P/E (x)	NM	NM	NM	NM	NM
EV/Sub (x)	17,363	11,600	8,201	6,445	5,722
EV/EBIDTA (x)	(54.9)	69.3	26.6	13.9	10.0
EV/Sales(x)	10.1	6.0	4.8	3.3	2.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company; IndiaNivesh Research



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