

September 15, 2011

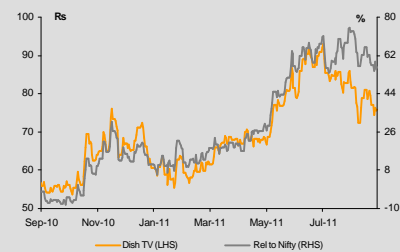
Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs76	Rs96
EPS change FY12E/13E (%)	NA
Target Price change (%)	-3
Nifty	5,012
Sensex	16,709

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(12)	23	28
Rel. to Nifty	(8)	(5)	35	50

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	94/44
Market Cap (Rs bn/USD mn)	95/2,136
Daily Avg Volume (No of sh)	1150861
Daily Avg Turnover (US\$m)	2.1

Shareholding Pattern (%)

	Sep-10	Jun-10	Mar-10
Promoters	67.9	67.9	67.8
FII/NRI	17.9	17.1	18.4
Institutions	9.0	8.8	7.9
Private Corp	3.3	3.7	3.5
Public	2.0	2.5	2.3

Source: Capitaline

Naval Seth

naval.seth@emkayglobal.com
+91 22 6624 2414

E-Tax burden to increase, but marginally for Dish TV

- T.N. government has imposed 30% E-Tax on the DTH operators, 25% on IPL and increased on cinema tickets from 15% to 30% with immediate effect
- The move has come after T.N. govt. launched its MSO Arasu to take on the Sun TV's promoter unlisted MSO Sumagali TV and Sun Direct (DTH arm) who enjoy monopoly in the state
- Maximum impact would be on Sun Direct as it has ~80-85% subscriber market share in the state. While other operators who have remaining share would also get impacted
- Raise our E-tax assumption for Dish TV by 80bps-130bps for FY12E/FY13E. Management indicated E-Tax would be ~5% going forward

30% E-Tax to impact DTH operators

TN government has imposed 30% E-tax on DTH operators. This move will hurt maximum to the Sun Direct (Sun Group promoted unlisted entity) which is the largest DTH operator in the state. Other operators (Dish TV, Airtel and Tata Sky) who have combined market of ~17% would also have some negative impact.

E-Tax assumptions for Dish TV

As per the FY11 annual report the company has paid E-tax to the tune of Rs518.4mn i.e 4.3% of the subscription revenue v/s 3.1% in FY10. The management has indicated E-tax to subscription revenue would be ~5% going forward. We believe TN is not big market for Dish TV still 30% tax imposition would negatively impact EBITDA. We have revised our assumptions by 80bps/ 130bps for FY12E/ FY13E. We do not see the companies passing on the hike to subscribers due to highly competitive scenario in the state.

Revised estimates

With the increase in our assumptions for E-Tax, EBITDA estimates get negatively impacted by 0.7% and 1.7% for FY12E and FY13E, respectively.

	FY12E			FY13E		
	Old	New	Chg %	Old	New	Chg %
Revenue	20,771.9	20771.9	0.0%	26,061.3	26061.3	0.0%
EBITDA	5,265.1	5226.0	-0.7%	7,388.2	7270.0	-1.6%
EBITDA Margin %	25.3	25.2	-19 bps	28.3	27.9	-45 bps
PAT	-182.2	-221.3		924.6	824.9	-10.8%
EPS	-0.2	-0.2		0.9	0.8	-10.8%

Maintain ACCUMULATE with revised target price of Rs96 (earlier Rs99)

We maintain our positive view on the stock. Retain ACCUMULATE rating on the stock with revised DCF based target price of Rs96 (earlier Rs99). At CMP of Rs76 stock trades at 17.2x /12.3x EV/EBITDA of FY12E / FY13E.

Financial Snapshot

Y/E	Rs Mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (x)	P/E	EV/EBITDA	P/BV
FY10	10850	1117	10.3	-2622	-2.5	NA	-9.1	NA	76.9	5.0
FY11E	14367	2380	16.6	-1920	-1.8	NA	-5.9	NA	37.6	5.0
FY12E	20772	5226	25.2	-221	-0.2	-88.5	-1.4	NA	17.2	5.0
FY13E	26061	7270	27.9	825	0.8	-472.8	5.0	99.5	12.3	5.0

Financials

Income statement

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
Net Sales	10,850	14,367	20,772	26,061
<i>Growth (%)</i>	47%	32%	45%	25%
Programming and other costs	6,902	7,838	10,513	13,368
Employee cost	516	761	872	1,042
SG&A expenses	1,771	2,572	2,991	2,983
Other operating expenses	544	815	1,170	1,398
Total operating expenditure	9,733	11,986	15,546	18,791
EBITDA	1,117	2,380	5,226	7,270
<i>Growth (%)</i>	NA	113%	120%	39%
Depreciation	3,227	3,996	4,638	5,653
<i>EBIT</i>	-2,111	-1,615	588	1,617
EBIT margin (%)	-19.5	-11.2	2.8	6.2
Other Income	453	1,226	347	320
Interest expenses	971	1,534	1,156	1,027
PBT	-2,628	-1,923	-221	910
Tax	-6	-3	0	85
<i>Effective tax rate (%)</i>	0.23	0.15	0.00	9.32
PAT	-2,622	-1,920	-221	825

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
PAT	-2,622	-1,920	-221	825
Depreciation	3,227	3,996	4,638	5,653
Other Non-Cash items	-6	0	0	0
Net change in working capital	1,455	2,662	2,196	1,118
Operating cashflows	2,055	4,737	6,612	7,596
Capital expenditure	-4,469	-8,426	-7,224	-6,841
Investments	-3,561	1,561	0	0
Investing Cashflow	-8,031	-6,865	-7,224	-6,841
Equity Capital Raised	375	1	0	0
Loans Taken / (Repaid)	-2,170	1,441	-250	-1,000
Other financing	12,498	32	0	0
Financing Cashflow	0	-1,511	0	0
	10,704	-38	-250	-1,000
Net chg in cash	4,728	-2,165	-862	-245
Opening cash position	831	5,558	3,393	2,532
Closing cash position	5,558	3,393	2,532	2,287

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
Secured Loans	9,143	10,763	10,513	9,513
Unsecured Loans	179	0	0	0
Loan Funds	9,322	10,763	10,513	9,513
Net deferred tax liability	0	0	0	0
Total Liabilities	25,667	27,140	26,890	25,890
Gross Block	18,344	25,131	32,355	39,196
Less: Depreciation	7,298	10,694	15,331	20,984
Net block	11,046	14,437	17,023	18,212
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	5,239	4,801
Inventories	28	44	64	81
Sundry debtors	359	227	399	400
Cash & bank balance	5,558	3,393	2,532	2,287
Other Current Assets	7	19	28	35
Loans & advances	4,959	2,539	2,216	1,999
Current liab & Prov	15,960	16,098	18,173	19,098
Current liabilities	4,372	5,773	7,316	8,392
Other Liab	9,870	7,304	7,029	6,733
Provisions	1,718	3,021	3,828	3,972
Net current assets	-5,049	-9,876	-12,934	-14,297
Profit and loss	12,568	15,999	16,220	15,395
Total Assets	25,667	27,140	26,890	25,890

Ratios

Y/E, Mar	FY10	FY11E	FY12E	FY13E
Profitability (%)				
Core EBITDA Margin	10.3	16.6	25.2	27.9
Net Margin	-24.2	-13.4	-1.1	3.2
ROCE	-5.5	-3.7	1.4	3.9
ROE	-9.1	-5.9	-1.4	5.0
RoIC	-29.2	-10.8	3.4	9.3
Per Share Data (Rs)				
EPS (adjusted)	-2.5	-1.8	-0.2	0.8
CEPS	0.6	2.0	4.2	6.1
BVPS	15.4	15.4	15.4	15.4
Valuations (x)				
PER	NA	NA	NA	99.5
P/CEPS	161.6	47.1	22.1	15.1
P/BV	5.0	5.0	5.0	5.0
EV / Sales	7.9	6.2	4.3	3.4
EV / EBITDA	76.9	37.6	17.2	12.3
Gearing Ratio (x)				
Net Debt/ Equity	0.0	0.3	0.4	0.3
Net Debt/EBIDTA	0.2	2.3	1.1	0.7

Emkay Global Financial Services Ltd.

Corporate Add: B – Ruby Mills Tower, 7th Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web: www.emkayglobal.com

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