

INDIA RESEARCH

MEDIA

BSE SENSEX: 19387

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# Dish TV

**OUTPERFORMER**
**EVENT UPDATE – New tariff order set by SC**

Rs68

Mkt Cap: Rs72.5bn; US\$1.6bn

**Event:**

The Supreme Court today set the tariff to be paid by DTH operators to broadcasters at 42% of that paid by analog cable operators. The DTH tariff currently stands at 50% of that charged to cable operators. This notification stays an earlier TRAI recommendation that the tariff be brought down to 35% of cable tariff. Thus the SC notice implies a lower tariff for DTH operators than the current 50%, though higher than that recommended by TRAI (35%).

**Details:**

- In July 2010, TRAI notified that a new wholesale tariff structure would be effective 1 September 2010 whereby broadcasters can charge DTH operators only at 35% of the rates that they charge cable operators.
- In August 2010, leading broadcasters, including Zee Turner, Viacom 18 Media, Sun TV and Star DEN, moved TDSAT (Telecom Disputes Settlement & Appellate Tribunal) challenging TRAI's aforementioned order.
- In view of the issues raised by broadcasters on the TRAI recommendation, in December 2010, TDSAT set aside TRAI's notification.
- The Supreme Court today stayed the order of TDSAT and set a new tariff for DTH operators. In effect, the tariff that DTH operators need to pay broadcasters has been revised to 42% of cable tariff, which is lower than the current 50% (albeit higher than the TRAI recommendation of 35%). However, this is a temporary price fixation and the final rate would be decided post the hearing between TDSAT and TRAI.

**Our view:**

With the Indian TV distribution industry suffering from the bane of under-declaration in analog cable, the DTH industry or addressable cable systems, which ensure 100% reporting, has been encouraged by subsidizing content costs. With DTH players ensuring 100% declaration, broadcasters have seen strong subscription income from DTH operators. DTH subscription income now surpasses cable subscription revenues for most broadcasters. Given this inherent benefit, broadcasters have been flexible with DTH operators and entered into long-term fixed-fee deals. Against this backdrop, we see the SC ruling being neutral for DTH operators in the near term. Over the longer term, it will ensure that DTH tariff is capped at 42% of cable tariff, against 50% currently. Maintain Outperformer on Dish TV.

**Key valuation metrics – Dish TV**

Year to 31 March (Rs m)	Net Sales	% change yoy	Net Profit	% change yoy	EPS (Rs)	% change yoy	PER (x)	E/EBITDA
FY08	4,122	115	(4,140)	n/a	(9.7)	n/a	n/a	n/a
FY09	7,375	79	(4,893)	n/a	(11.4)	n/a	n/a	n/a
FY10	10,853	47	(2,612)	n/a	(2.5)	n/a	n/a	87.7
FY11E	14,362	32	(1,782)	n/a	(1.7)	n/a	n/a	33.3
FY12E	21,066	47	440	n/a	0.4	n/a	n/a	13.41

Source: IDFC securities research

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