

DISH TV

On the menu

Dish TV is all set to be listed in the last week of March, in the final phase of Zee's restructuring exercise. The shareholders of Zee Entertainment Enterprises Ltd. (ZEEL), in accordance with their 57% stake in Dish TV, have received 5.7 shares of Dish TV for every 10 shares of ZEEL as on February 20, 2007. We expect Dish TV to list at about INR 100–110. (In our earlier notes, we had indicated a value of INR 58 for the Dish TV business in ZEEL's share price, translating into a per share price of INR 100 for Dish TV).

- With about 1.9 mn subscribers, Dish TV is the largest private DTH player in India. Tata Sky, the only other private player in the sector, has ~0.5 mn subscribers with the overall number of DTH households at 2.4 mn. This puts the penetration of DTH at only 3.5% in ~68 mn C&S connections market.
- However, the penetration of DTH is set to improve significantly with three more players – Sun, Reliance and Bharti – ready to join the fray. As per Dish TV's management, the C&S households are set to grow at a CAGR of 12% to 110 mn by FY11. They, however, expect the growth in DTH subscribers to be much faster and expect to have 27 mn DTH households by FY11, taking the penetration of DTH to 25% of C&S households.
- Dish TV expects to have a total of 8 mn subscribers, implying a market share of 30% in FY11.
- The present ARPU of Dish TV is ~INR 230. The management expects ARPU to grow at a CAGR of 12%. This will be on account of more number of channels (including niche channels) and higher contribution from value added services.
- The management has guided for revenues of INR 33.5 bn in FY11 with 26% EBITDA margins.

Our take

- We believe that the company's guidance may be slightly aggressive. While we expect the total C&S homes to grow to 108 mn by FY11, we estimate the total DTH households to grow to 20 mn. We believe that Dish TV, because of the head-start it had compared to the other players, will hold 30% share of the DTH market in FY11 with a total of 6 mn subscribers.

Financials

Year to March	FY06	9MFY07
Revenues (INR mn)	315	1,250
Rev. growth (%)		296.8
EBITDA (INR mn)	(829)	(1,212)
Net profit (INR mn)	(2,078)	(1,513)
Share outstanding (mn)	428	428
EPS (INR)	(5)	(4)
EPS growth (%)		27.2

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Reuters : NA
 Bloomberg : NA

Market Data

52-week range (INR) : NA
 Share in issue (mn) : 428
 M cap (INR bn/USD mn) : NA
 Avg. Daily Vol. BSE/NSE ('000) : NA

Share Holding Pattern (%)

Promoters : 67
 MFs, Fls & Banks : 8
 FIs : 20
 Others : 5

- ◆ We expect the ARPUs to grow at CAGR of 9.5% to INR 330 in FY11 from the present ARPU of INR 230.
- ◆ We estimate that the company will make revenues of INR 22 bn in FY11 and EBITDA of INR 5.5 bn (EBITDA margin of 25%).
- ◆ We value Dish TV at 54 months of ARPUs of INR 250 and INR 275 for 3 mn subscribers. This gives us a fair value range of INR 100 – 110 per share of Dish TV. We get a similar value by valuing Dish TV at a target forward EV/EBITDA multiple of 12x FY11 EBITDA and discounting it by WACC of 13% giving us a fair value of INR 104 per share.

Financial Statements

Income statement		(INR mn)	
Year to March	FY06	9MFY07	
Net revenues	315	1,250	
Operating expense	1,144	2,462	
EBITDA	(829)	(1,212)	
Depreciation	28	284	
EBIT	(857)	(1,495)	
Interest expenditure	17	43	
Other income	-	26	
Profit before tax	(874)	(1,512)	
Provision for taxation	0	2	
Profit after tax	(874)	(1,513)	
Extraordinary Items	(1,203)	-	
Reported profit	(2,078)	(1,513)	
EPS (INR) fully diluted	(4.9)	(3.5)	
CEPS (INR) fully diluted	(4.8)	(2.9)	

Common size metrics- as % of net revenues

Year to March	FY06	FY07E	
Operating expense	363.2	196.9	
EBITDA margin	(263.2)	(96.9)	
EBIT margin	(272.1)	(119.6)	
Net profit margin	(659.6)	(121.0)	

Balance sheet

As at 31 March	Dec-06	
Equity shares	428	
Profit & loss account	(1,517)	
Other reserves	1,696	
Shareholders funds	607	
Debt	905	
Sources of funds	1,512	
Net fixed assets	6,383	
Investments	965	
Net current assets	(5,835)	
Uses of funds	1,512	

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INDIA RESEARCH

SECTOR

INSTITUTIONAL SALES

Shriram Iyer - 2286 4256	Head – Research	Nischal Maheshwari - 2286 4205
Gautam Roy - 2286 4305	Airlines, Textile	Rajesh Makharia - 2286 4202
Ashutosh Goel - 2286 4287	Automobiles, Auto Components	Shabnam Kapur - 2286 4394
Vishal Goyal, CFA - 2286 4370	Banking & Finance	Amish Choksi - 2286 4201
Revathi Myneni - 2286 4413	Cement	Balakumar V - (044) 4263 8283
Sumeet Budhraj - 2286 4430	FMCG	Monil Bhala - 2286 4363
Harish Sharma - 2286 4307	Infrastructure, Auto Components, Mid Caps	Ashish Agrawal - 2286 4301
Priyanko Panja - 2286 4300	Infrastructure, Engineering, Telecom	Nikhil Garg - 2286 4282
Hitesh Zaveri - 2286 4424	Information Technology	Swati Khemani - 2286 4266
Parul Inamdar - 2286 4355	Information Technology	Neha Shahra - 2286 4276
Priyank Singhal - 2286 4302	Media, Retail	Priya Ramchandran - 2286 4389
Prakash Kapadia - 2286 4432	Mid Caps	Anubhav Kanodia - 2286 4361
Niraj Mansingka - 2286 4304	Oil & Gas, Petrochemicals	Tushar Mahajan - 2286 4439
Nimish Mehta - 2286 4295	Pharmaceuticals, Agrochemicals	Harsh Biyani - 2286 4419
Manika Preamsingh - 4019 4847	Economist	Nirmal Ajmera - 2286 4258
Sunil Jain - 2286 4308	Alternative & Quantitative	Ankit Doshi - 2286 4671
Yogesh Radke - 2286 4328	Alternative & Quantitative	Dipesh Shah - 2286 4434

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RATING INTERPRETATION

Buy	Expected to appreciate more than 20% over a 12-month period	Reduce	Expected to depreciate up to 10% over a 12-month period
Accumulate	Expected to appreciate up to 20% over a 12-month period	Sell	Expected to depreciate more than 10% over a 12-month period
Trading Buy	Expected to appreciate more than 10% over a 45-day period	Trading Sell	Expected to depreciate more than 10% over a 45-day period

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