Result Update

May 10, 2010

Dish TV (DISHTV)

Rs 38

Rating matrix

Rating	:	**Strong Buy**
Target	:	Rs 50
Target Period	:	12 months
Potential Upside	:	32%

Key Financials

(Rs Crore)	FY09	FY10E	FY11E	FY12E
Net Sales	738.1	1084.8	1407.5	1770.3
EBITDA	-123.3	86.2	231.0	380.4
Net Profit	-480.7	-261.3	-175.9	-71.5
EPS (Rs)	-7.0	-2.5	-1.7	-0.7

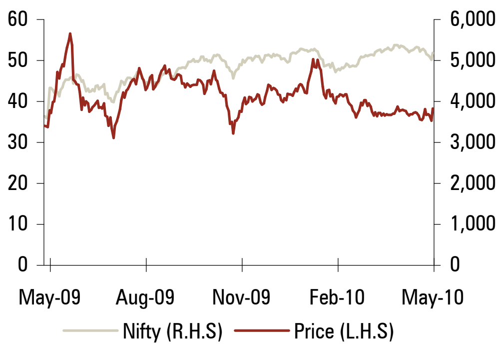
Valuation summary

	FY09	FY10E	FY11E	FY12E
PE (x)	NA	NA	NA	NA
EV/Sales (x)	5.0	3.7	2.5	2.0
EV/EBITDA (x)	-30.1	46.0	15.2	9.2
P/BV (x)	7.6	2.7	2.1	2.1
RoNW (%)	NA	-17.2	-9.1	-3.7
RoCE (%)	NA	-8.0	-4.1	-0.9

Stock data

Market Capitalization	Rs 4083.5 Crore
Debt-Cons. (FY09)	Rs 1149.2 Crore
Cash & Invst.-Cons. (FY09)	Rs 80.5 Crore
EV	Rs 3707.9 Crore
52 week H/L	57 / 30
Equity capital	Rs 106.3 Crore
Face value	Rs 1
MF Holding (%)	5.8
FII Holding (%)	5.6

Price movement (Stock vs. Nifty)



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WHAT'S CHANGED...

PRICE TARGET .... Unchanged
EPS (FY11E) .... Changed from Rs -1.9 to Rs -1.7
EPS (FY12E) .... Changed from Rs -0.84 to Rs -0.67
RATING .... Unchanged

Continues to be the leader...

Dish TV reported its Q4FY10 consolidated results, which were above our expectations. The company reported a topline of Rs 303.1 crore against our expectation of Rs 292.9 crore, growing 8.8% QoQ and 46.4% YoY. The EBITDA margin for the quarter stood at 11.5%, improving by 694 bps and 952 bps QoQ and YoY, respectively. Margins improved on the back of lower selling and distribution expenses, which declined by 17.8% QoQ. Net loss for the quarter was at Rs 59.8 crore as compared to Rs 75.1 crore in the last quarter.

- **Highlights for the quarter**

The company posted a better-than-expected performance in Q4FY10. DTH revenues for the quarter grew 7.8% QoQ to Rs 272.9 crore. Dish TV added 0.44 million subscribers against our expectation of 0.6 million. It continues to lead the market with ~33% market share. ARPU for the quarter stood at Rs 138 up from Rs 135 in the last quarter. EBITDA margins improved on the back of lower advertisement expense and commission to dealers, which declined by 32.4% and 11.9% QoQ, respectively. The company has repaid the group debt leading to lower interest cost.

The company made a second and final call of Rs 8 per share on the partly paid-up share issued with regard to the rights issue made during January 2009.

Valuation

Low penetration and high demand for digital TV augurs well for growth for the company, going forward. With funding in place, Dish TV is well poised to capitalise on the next phase of growth. Assuming revenue CAGR of 13.1% over FY11E–FY20E and terminal growth of 4%, thereon, we have arrived at a target price of Rs 50/share. The stock is currently trading at Rs 38. Our target price implies an upside potential of 32.0%. We are recommending a **STRONG BUY** rating on Dish TV.

Exhibit 1: Valuation Metrics

(Rs Crore)	Q4FY10	Q4FY10E	Q4FY09	Q3FY10	QoQ (Chg %)	YoY (Chg %)
Net Sales	303.1	292.9	207.1	278.6	8.8	46.4
EBITDA	34.9	25.8	4.1	12.7	173.9	745.5
EBITDA Margin (%)	11.5	8.8	2.0	4.6	694 bps	952 bps
Depreciation	84.6	79.8	64.4	77.9	8.6	31.3
Interest	10.6	12.5	19.2	11.1	-3.9	-44.8
Reported PAT	-59.8	-65.4	-78.7	-75.1	-20.4	-24.1
EPS (Rs)	-0.9	-1.0	-1.8	-1.1	-20.4	-52.7

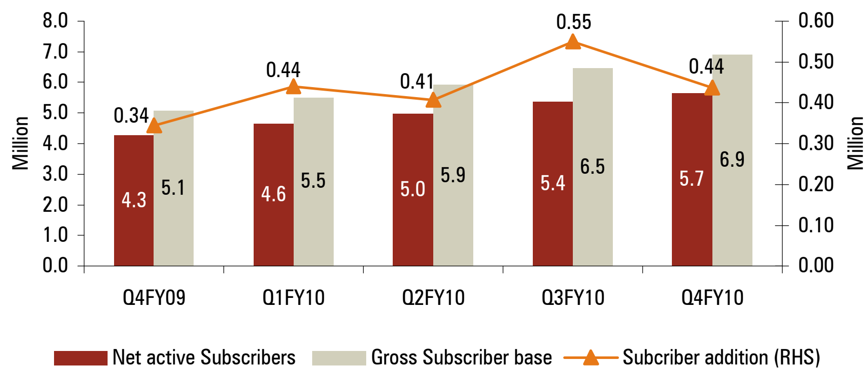
Source: Company, ICICIdirect.com Research

Result Analysis

Key metrics – heading northwards

Dish TV added 0.44 million subscribers during Q4FY10. The fourth quarter is comparatively a dull period for the DTH industry as the major subscriber addition happens in Q2 and Q3 of the fiscal year owing to the festive season. The company ended the full year with a total subscriber base of 6.9 million. We expect the company to add 2.0 million subscribers for the next fiscal.

Exhibit 2: Subscriber details



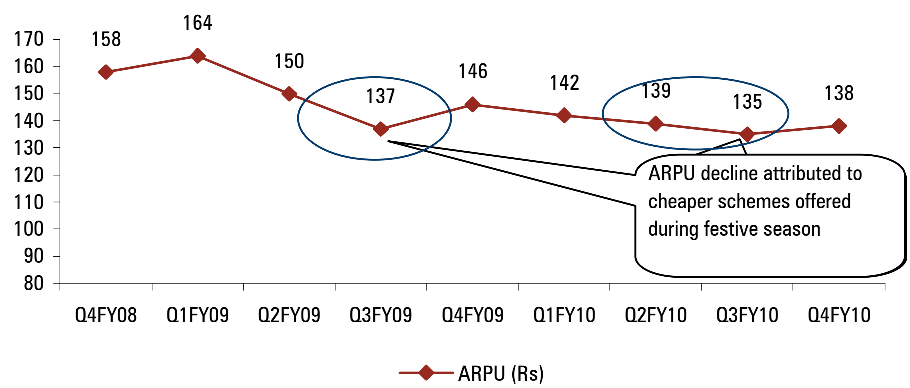
Source: Company, ICICIdirect.com Research

ARPU trend

ARPU for the quarter stood at Rs 138 as compared to Rs 135 in the last quarter. Aggressive discounting schemes offered during the festive season led to the decline in APRU. However, going forward, we do not expect ARPUs to fall steeply. ARPU for FY11E is expected to be marginally lower than that in FY10. We expect the ARPU to stabilise at current levels in the near term. However, in the medium to long term, we think it is likely that ARPUs may pick up, largely on the back of the following:

- New subscriber addition on high ARPU subscription packages
- Increase in demand for VAS services
- Rising proportion of old subsidised subscribers resulting in higher blended ARPU
- Churn to remain at current levels

Exhibit 3: ARPU trend



Source: Company, ICICIdirect.com Research

Outlook & Valuations

Outlook

Dish TV reported higher-than-expected Q4FY10 numbers. Strong subscriber addition of 0.4 million and QoQ increase in ARPU led to 7.8% increase in DTH revenues. Dish TV remains the market leader with a market share of ~33%. We do not expect any steep decline in the ARPU, given the company does not launch any aggressive schemes in the near future. We expect the company to maintain its leadership position in the DTH industry. The management has indicated launch of HD service (high definition) in June, 2010 to cater high ARPU subscribers.

Dish TV operates in the market with hyper competition with six operators. The DTH industry is still at very low penetration and is expected to overtake analogue TV industry, going forward, led by higher demand for digitisation and services offered on the DTH platform. The company has raised sufficient funds in the last fiscal to take care of future expansion needs. It has raised close to Rs 1615 crore in the last fiscal. We believe that with funding in place and the first mover advantage, the company is poised for the next phase of growth.

Valuation

DCF-based target price of Rs 50/share

Low penetration and high demand for digital TV augurs well for growth for the company, going forward. With funding in place, Dish TV is well poised to capitalise on the next phase of growth. Assuming revenue CAGR of 13.1% over FY11E–FY20E and terminal growth of 4% thereon, we have arrived at a target price of Rs 50/share.

The stock is currently trading at Rs 38. Our target price implies an upside potential of 32%. We maintain our view on Dish TV with a **STRONG BUY** rating.

Exhibit 4: DCF assumptions

Rs in Crore

WACC	12.6%
Revenue CAGR over FY11E-20E	13.1%
Present Value of Cash Flow till FY20E	2,296.9
Terminal Growth	4.0%
Present Value of terminal cash flow	4,163.8
PV of firm	6,460.7
Less: Current Debt	1,149.2
Total present value of the Equity	5,311.5
Number of Equity Shares outstanding (Cr)	106.3
DCF - Target price (Rs)	**50**

Source: Company, ICICIdirect.com Research

Exhibit 5: Valuation table

	Sales (Rs cr)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY10	1084.8	47.0	-2.5	-74.6	NA	46.0	-17.2	-8.0
FY11E	1407.5	29.8	-1.7	-32.7	NA	15.2	-9.1	-4.1
FY12E	1770.3	25.8	-0.7	-59.3	NA	9.2	-3.7	-0.9

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Strong Buy: 20% or more;
Buy: Between 10% and 20%;
Add: Up to 10%;
Reduce: Up to -10%
Sell: -10% or more;

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