

Another tariff hike, ARPU uptrend to continue

November 15, 2011

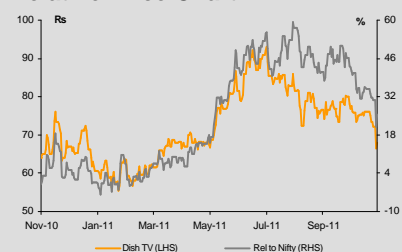
Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs68	Rs96
EPS change FY12E/13E (%)	+4.4/+20.0
Target Price change (%)	NA
Nifty	5,069
Sensex	16,883

Price Performance

(%)	1M	3M	6M	12M
Absolute	(15)	(18)	(1)	8
Rel. to Nifty	(14)	(18)	6	30

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	94/54
Market Cap (Rs bn/USD mn)	72/1,421
Daily Avg Volume (No of sh)	3705835
Daily Avg Turnover (US\$m)	5.7

Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	64.8	64.8	64.8
FII/NRI	23.9	22.3	20.2
Institutions	4.8	6.2	6.4
Private Corp	2.8	2.7	4.3
Public	3.8	4.1	4.3

Source: Capitaline

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- **Dish TV has taken another price hike of Rs10 in the base pack which is now revised to Rs175 from Rs165 earlier**
- **Hike of 6% on base pack which is subscribed by 45% of total subscribers would drive subscription revenue going forward**
- **Management's guidance for Rs160-165 exit ARPU for FY12E seems to be on track, impact of hike would be visible in subscription revenue from Q4FY12E**
- **Dish TV has applied to FIPB for nod to raise Rs10bn which has negatively impacted the stock price, we believe its priced in as stock has corrected sharply in last couple of trading sessions**
- **Capital raising to tap the flood of subscribers led by shift from analogue to DTH/Digital platform during compulsory digitization would be positive in the long term as company would be targeting high ARPU subscribers in metros**
- **We have not incorporated impact of additional equity raising in our estimates until management provides concrete plan i.e how much and when the actual capital raising would happen**
- **Recent price correction provides favorable risk/ reward. We maintain our ACCUMULATE rating on the stock with target price of Rs96**

Revision in ARPU estimates

Out of the total subscriber base ~45% of the subscribers are on base pack. Management has been reiterating its exit ARPU guidance of Rs160-165 for FY12E. With this price hike we believe company would be able to end FY12E with ARPU in the range of Rs160-165 and would meet with our revised exit ARPU estimate of Rs160.8 (our earlier estimate of Rs158.5). Post this price hike we are incorporating higher ARPU assumptions for FY12E/ 13E. Regular price uptick in the packages would support our ARPU estimates, going forward.

	FY12E		FY13E	
	Old	New	Old	New
Gross Subs	13.3	13.3	15.7	15.7
Net active subs	10.6	10.6	12.1	12.1
net adds	2.9	2.9	2.4	2.4
ARPU	151.4	152.0	163.8	167.5
Exit ARPU	158.5	160.8		

Maintain ACCUMULATE with target price of Rs96

We maintain our positive view on the stock. Reiterate ACCUMULATE rating on the stock with DCF based target price of Rs96. At CMP of Rs68 stock trades at 14.9x /10.6x EV/EBITDA of FY12E / FY13E.

Financial Snapshot

Y/E	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (x)	P/E	Rs Mn	
									EV/ EBITDA	P/BV
Mar										
FY10	10850	1117	10.3	-2622	-2.5	NA	-9.1	NA	68.1	4.4
FY11	14367	2380	16.6	-1920	-1.8	NA	-5.9	NA	33.5	4.4
FY12E	20217	5439	26.9	-500	-0.5	73.9	-3.1	NA	14.9	4.4
FY13E	25802	7432	28.8	990	0.9	298.0	6.0	73.0	10.6	4.4

Price hike history	Q2FY11	Q4FY11	Q1FY12	Nov, 2011
Silver*	135	NA	NA	NA
Silver Saver now Family pack	150	160	165	175
Gold Cricket pack	225	225	225	225
Gold Saver now World pack	270	270	275	275
Platinum pack	325	325	350	350

*Discontinued in Q2FY11

Source: Company, Emkay Research

Revision in estimates

We have incorporated tariff hike leading to improvement in our estimates for FY12E and FY13E. We estimate full impact of tariff hike to be visible in FY13E. Hence, our revenue and EBITDA estimate improves by 2.0% and 2.3% respectively. Subsequently our PAT estimate stands at Rs990mn v/s 824mn earlier. The company does not require any fund raising for currently estimated subscriber acquisitions. **We highlight that higher than expected subscriber addition if company gets aggressive for subscriber acquisition in compulsory digitization process could delay the profitability which would be a overhang on the stock in near term. However, higher than expected subscriber addition to match up with the competition and maintain its leadership position in the industry during the compulsory digitization process would yield healthy returns in long term.**

	FY12E			FY13E		
	Old	New	Chg %	Old	New	Chg %
Revenue	20,146.0	20,217.3	0.4%	25,293.9	25,802.4	2.0%
EBIDTA	5,416.2	5,439.3	0.4%	7,266.9	7,432.2	2.3%
EBIDTA %	26.9	26.9	2 bps	28.7	28.8	7 bps
PAT	-523.3	-500.2	4.4%	824.9	990.2	20.0%
EPS	-0.5	-0.5	4.4%	0.8	0.9	20.0%

Financials

Income statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Net Sales	10,850	14,367	20,217	25,802
<i>Growth (%)</i>	47%	32%	41%	28%
Programming and other costs		7,838	10,171	12,979
Employee cost	516	761	849	1,032
SG&A expenses	1,771	2,572	2,619	2,964
Other operating expenses	544	815	1,139	1,395
Total operating expenditure	9,733	11,986	14,778	18,370
EBITDA	1,117	2,380	5,439	7,432
<i>Growth (%)</i>	NA	113%	129%	37%
Depreciation	3,227	3,996	4,740	5,679
<i>EBIT</i>	-2,111	-1,615	699	1,753
EBIT margin (%)	-19.5	-11.2	3.5	6.8
Other Income	453	1,226	409	320
Interest expenses	971	1,534	1,608	1,083
PBT	-2,628	-1,923	-500	990
Tax	-6	-3	0	0
<i>Effective tax rate (%)</i>	0.23	0.15	0.00	0.00
PAT	-2,622	-1,920	-500	990

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
PAT	-2,622	-1,920	-500	990
Depreciation	3,227	3,996	4,740	5,679
Other Non-Cash items	-6	0	0	0
Net change in working capital	1,455	2,662	1,554	1,990
Operating cashflows	2,055	4,737	5,794	8,659
Capital expenditure	-4,469	-8,426	-7,100	-6,841
Investments	-3,561	1,561	0	0
Investing Cashflow	-8,031	-6,865	-7,100	-6,841
Equity Capital Raised	375	1	0	0
Loans Taken / (Repaid)	-2,170	1,441	1,326	-1,500
Other financing	12,498	32	0	0
Financing Cashflow	0	-1,511	0	0
	10,704	-38	1,326	-1,500
Net chg in cash	4,728	-2,165	20	318
Opening cash position	831	5,558	3,393	3,414
Closing cash position	5,558	3,393	3,414	3,732

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	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
Loan Funds	9,322	10,763	12,089	10,589
Deferred tax liability	0	0	0	0
Total Liabilities	25,667	27,140	28,466	26,966
Gross Block	18,344	25,131	32,231	39,072
Less: Depreciation	7,298	10,694	15,434	21,113
Net block	11,046	14,437	16,797	17,960
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	6,043	6,234
Inventories	28	44	62	80
Sundry debtors	359	227	383	409
Cash & bank balance	5,558	3,393	3,414	3,732
Other Current Assets	7	19	27	34
Loans & advances	4,959	2,539	2,157	1,979
Current liab & Prov	15,960	16,098	17,453	19,316
Current liabilities	4,372	5,773	6,966	8,586
Other liabilities	9,870	7,304	6,841	6,667
Provisions	1,718	3,021	3,646	4,064
Net current assets	-5,049	-9,876	-11,410	-13,082
Profit and loss	12,568	15,999	16,499	15,509
Total Assets	25,667	27,140	28,466	26,966

Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
Core EBITDA Margin	10.3	16.6	26.9	28.8
Net Margin	-24.2	-13.4	-2.5	3.8
ROCE	-5.5	-3.7	1.6	4.1
ROE	-9.1	-5.9	-3.1	6.0
RoIC	-29.2	-10.8	3.9	10.0
Per Share Data (Rs)				
EPS (adjusted)	-2.5	-1.8	-0.5	0.9
CEPS	0.6	2.0	4.0	6.3
BVPS	15.4	15.4	15.4	15.4
Valuations (x)				
PER	NA	NA	NA	73.0
P/CEPS	119.4	34.8	17.0	10.8
P/BV	4.4	4.4	4.4	4.4
EV / Sales	7.0	5.5	4.0	3.1
EV / EBITDA	68.1	33.5	14.9	10.6
Gearing Ratio (x)				
Net Debt/ Equity	0.0	0.3	0.4	0.3
Net Debt/EBIDTA	0.2	2.3	1.2	0.7

Recommendation History: Dish TV – DITV IN

Date	Reports	Reco	CMP	Target
19/10/2011	Dish TV Q2FY12 Result Update	Accumulate	77	96
15/09/2011	Dish TV Event Update	Accumulate	76	96
20/07/2011	Dish TV Q1FY12 Result Update	Accumulate	89	99
21/06/2011	Dish TV Initiating Coverage Report	Accumulate	79	93

Recent Research Reports

Date	Reports	Reco	CMP	Target
14/11/2011	Reliance Communication Q2FY12 Result Update	Hold	82	82
08/11/2011	Tulip Telecom Q2FY12 Result Update	Buy	150	218
04/11/2011	Bharti Airtel Q2FY12 Result Update	Accumulate	398	464
01/11/2011	Lakshmi Machine Works Q2FY12 Result Update	Accumulate	1,935	2,466

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