

Issue Highlights

Industry	Entertainment
Issue Size (in Cr)	390-410
No of shares	20,000,000
Price Band (Rs.)	195-205
Offer Date	Oct 28, 2009
Close Date	Oct 30, 2009
Listing	NSE, BSE
Face Value	10
Lot Size	30
IPO Grade	ICRA IPO Grade "3"
(Indicating average fundamental)	

Issue Composition

Total Issue	20,000,000 Shares
Employee reservation	250,000 Shares
Net issue	19,750,000 Shares
QIB's	11,850,000 Shares
NIB	1,975,000 Shares
Retail	5,925,000 Shares
Lot size	30 Shares

Book Running Lead Manager

Duetsche Equities India Private Limited

Name of the registrar

Karvy Computershare Private Limited

Shareholding Pattern (%)

	Pre-issue	Post issue
Promoter & Promoter Grp	62.65	53.25
QIB	15.47	22.15
NIB	21.88	20.10
Retail	-	4.50
Total	100	100

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Company Profile

Incorporated in 2007, Den Networks Limited is one of the largest national cable television companies in India engaged in the distribution of analog and digital cable television services. They launched their digital cable television services in February 2008 under the brand "Digitelly". Den Networks currently provides cable television services in the National Capital Region of Delhi and the states of Uttar Pradesh, Rajasthan, Maharashtra, Gujarat, Karnataka, Haryana, Madhya Pradesh and Kerala.

Den Networks offer up to 180 channels through their digital cable television service. Den also provides value-added services to their subscribers, such as an interactive electronic programme guide, programme reservations, "red button" initiatives, audio music channels, on-screen reminders, interactive games and parental controls. They are also planning for additional value-added services such as pay-per-view services, interactive educational programmes, personal video recording and mosaic viewing.

In January 2008, Den Networks entered into a 50:50 joint venture agreement with STAR with respect to STAR-DEN. STAR-DEN acts as a content aggregator and currently has the exclusive right to distribute 23 television channels including the entire STAR group of channels, the entire Disney group of channels, selected Network18 channels, the entire Times Group of channels etc in India, Bhutan and Nepal.

Strengths

• Rapid growth in key regions

According to the estimates of The MPA Report 2009 the company's cable television services reached approximately 10 million homes and have 300,000 digital cable television subscribers as of December 2008. The company provides analog cable television services to subscribers in 76 cities in the states of Uttar Pradesh, Rajasthan, Maharashtra, Gujarat, Karnataka, Haryana, and the National Capital Region of Delhi etc.

• Proven acquisition track record

Understanding of the cable television distribution industry has enabled the company to identify and acquire appropriate acquisition targets, which has enabled them to become one of the largest national cable television companies in India. The company has successfully identified, acquired and integrated 62 established MSOs since incorporation

• Experienced management team

Promoter and Chairman, Mr. Sameer Manchanda, has extensive experience in the television industry. He has played an instrumental role in the launch and success of "CNN-IBN" and has been integral to the success of the Network18 group. Company's senior management team has significant experience in various areas of the television and media industry. This includes significant experience in dealing and negotiating with MSOs, broadcasters and content aggregators in India.

• Technological expertise

Company's expertise in designing and constructing their cable networks enables them to rapidly develop and expand their cable television distribution network. This expertise allows them to efficiently integrate the networks and technology of the MSOs in which they have acquired a majority interest.

Strategy

• Strategic acquisitions for further expansion

The company intends to undertake additional acquisitions of majority interests in established MSOs in order to consolidate their position in the states in which they already have a presence and to expand into other states of India that have significant television viewership potential for increased digital cable penetration and revenue potential.

Use of Proceeds (In Mn)

Particulars	Amount
Invest in the development of our cable television infrastructure and services*	2,100
Invest in the development of our cable broadband infrastructure & Services*	250
Invest in acquisition of content and broadcasting rights*	100
Repayment of certain loans	400
Fund expenditure for general corporate purposes	[• †]*
Total	[•]

* contingencies and price escalations in calculating the fund requirements have not been accounted for.

** To be finalized upon determination of Issue Price.

- **Rollout broadband internet services**

The company has obtained an all-India internet service provider license and has recently commenced a limited roll out of our broadband internet services to its cable television subscribers in Bangalore, National Capital Region of Delhi and Kanpur. Over time, the company intends to expand its broadband internet services to all of our cable television subscribers.

- **Build Brands**

The company will run advertisements for their digital cable services on their own brand television channels. The company believes that this will help to compete against existing digital cable service companies and will give an advantage over our competitors that have not yet rolled out digital cable services in areas where they operate.

- **To improve subscription & advertising revenues**

Company's advertising and sponsorship revenue is currently obtained primarily from local advertisers. Over time, the company intends to standardize the look and feel of their own brand television channels and improve the quality of the programming on these channels in order to increase viewership and the channels' attractiveness to regional and national advertisers.

Industry

The Indian entertainment and media industry has been one of the fastest growing industries in India over the last few years, with a growth rate of 15% between 2006 and 2008. In 2008, the Indian entertainment and media industry recorded growth of 12.3% over the previous year, from an estimated Rs. 520 billion in 2007 to Rs. 584 billion in 2008. According to the The FICCI KPMG Report 2009 the key factors driving the growth of the industry have been deregulation, regionalization of content, availability of organised funding, digitisation, convergence of platforms etc. The total market size for India's entertainment and media industry is projected to grow at 12.5% per year from Rs. 584 billion in 2008 to a total of Rs. 1.05 trillion in 2013.

The cable and satellite (C&S) industry is predominantly of analog type; only 20 lakh out of the 8.6 crore households are based on digital technology. As per FICCI KPMG, the digital television (through cable, DTH and IPTV platforms) households in India would be 3.5 crore by 2013, indicating an annual growth of 60 per cent for the next five years.

Outlook

On consolidated basis, for FY09, the total income of the company was at Rs. 719 crores, with loss after tax of Rs. 15.13 crores. For quarter ending 30th June 09, the total income was at Rs. 214 crores, EBITA of Rs 20.7 crores & net profit of Rs. 3.24 crores. However, looking at the company's networth & total debt of Rs 174 crore & Rs 156 crore as at June 30th the financial health of the companies seems in place. It is likely that the financial performance will remain on track in the coming years. Considering this, issue is likely to have a good listing as also having potential to rise with a time frame of 12 months.

Annexure - I

Profit & Loss Statement

Rs. in Cr.

Particulars	Apr-Jun'09	Mar-09	Mar-08
Total Income	214.05	719.35	86.89
Total Expenditure	193.39	708.53	106.07
Operating profit	20.66	10.82	(19.18)
OPM (%)	9.65	1.50	(22.07)
Interest	4.69	9.99	0.60
PBDT	15.97	0.83	(19.78)
Depreciation	6.55	16.03	1.19
PBT	9.42	(15.20)	(20.97)
Tax	3.47	2.01	0.58
PAT before Minority Interest	5.94	(17.21)	(21.55)
Minority Interest	2.701	-2.093	0.089
Net profit	3.24	(15.11)	(21.63)

Balance Sheet

Rs. in Cr.

Particulars	Apr-Jun'09	Mar-09	Mar-08
i. Net Block	163.45	153.80	16.25
ii. Capital Work-in-Progress	21.07	27.68	36.82
A. Total Fixed Assets (i+ii)	184.52	181.47	53.07
B. Goodwill on Consolidation	128.40	115.37	47.72
C. Investments	2.00	0.00	98.19
D. Deferred Tax Asset	11.05	9.19	1.66
E. Current assets, loans & advances	372.69	357.81	130.75
F. Total assets (A+B+C+D)	698.67	663.85	331.38
G. Liabilities and Provisions	459.19	427.88	133.64
H. Deferred Tax Liabilities	1.82	1.51	-
I. Minority Interest	14.45	14.38	1.85
Net worth (E-F)	223.20	220.07	195.89
Represented by			
Share capital	134.59	22.12	21.32
Preference share capital issued by subsidiary	2.50	2.50	2.50
Securities Premium Acct.	119.62	232.20	193.80
Debit Balance of P&L	(33.51)	(36.75)	(21.63)
Total	223.20	220.07	195.99

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RANKING METHODOLOGY

WEAK	★
NEUTRAL	★ ★
FAIR	★ ★ ★
GOOD	★ ★ ★ ★
EXCELLENT	★ ★ ★ ★ ★

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