

**DISH TV**

*Supreme Court directs DTH providers to pay 42% of wholesale rate as content cost*

■ **Supreme Court directs DTH providers to pay 42% of wholesale rate**

In a ruling today, the Supreme Court (SC) has directed DTH companies to pay 42% of wholesale rate to broadcasters for the content against the current rate of 50%. Earlier, TRAI had issued a notification effective from September 1, 2010, asking DTH providers to pay only 35% of wholesale rates. Post this, broadcasters had filed a suit in SC and TRAI's notification was overruled.

■ **Dish TV already into fixed fee deals with most broadcasters**

Dish TV has already entered into 3-5 year fixed fee deals with periodic escalations with most broadcasters. Moreover, with a 10 mn plus subscriber base, Dish TV's bargaining power with broadcasters will continue to be high. It is important to note that SC, in its judgment, has also stated that agreements between DTH operators and broadcasters, which are already in place, shall prevail. With the new SC judgment, negotiation between broadcasters and Dish TV is likely to happen at a lower benchmark rate of 42% instead of 50% earlier.

■ **Macro environment becoming more favourable for DTH**

The Rajasthan state government recently waived off entertainment tax on DTH, which was earlier at 10%. The Ministry of Information and Broadcasting (MoI&B) has advanced the sunset date for digitisation from March 31, 2015 to December 31, 2014, which is likely to result in a more rapid subscriber addition for Dish TV.

■ **Outlook and valuations: Attractive; maintain 'BUY'**

We are bullish on the Indian pay TV market. Dish TV is at an inflection point, with expected higher growth on the back of low penetration, favourable regulatory environment, increasing margins and a strong balance sheet. Hence, we maintain 'BUY' recommendation on the stock and rate it 'Sector Outperformer' on relative return basis.

**Financials**

Year to March	FY10	FY11E	FY12E	FY13E
Revenues (INR mn)	10,850	14,100	19,400	23,500
Rev. growth (%)	47.0	30.0	37.6	21.1
EBITDA (INR mn)	1,117	2,230	5,300	6,750
Net profit (INR mn)	(2,622)	(1,990)	150	1,400
Share outstanding (mn)	1,063	1,063	1,063	1,063
Diluted EPS (INR)	(2.5)	(1.9)	0.1	1.3
EPS growth (%)	75.6	24.1	107.5	833.2
Diluted P/E (x)	NM	NM	NM	51.8
EV/EBITDA (x)	67.0	30.7	11.5	7.7
ROAE (%)	NM	(71.8)	8.1	53.2

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Reuters: DSTV.BO Bloomberg: DITV IN

**EDELWEISS 4D RATINGS**

Absolute Rating	<b>BUY</b>
Rating Relative to Sector	<b>Performer</b>
Risk Rating Relative to Sector	<b>Medium</b>
Sector Relative to Market	<b>Overweight</b>

*Note:  
Please refer last page of the report for rating explanation*

**MARKET DATA**

CMP	:	INR 68
52-week range (INR)	:	77 / 34
Share in issue (mn)	:	1,064.0
M cap (INR bn/USD mn)	:	73 / 1,631
Avg. Daily Vol. BSE/NSE ('000):	:	3,502.6

**SHARE HOLDING PATTERN (%)**

Promoters*	:	64.8
MFs, FIs & Banks	:	6.4
FIIIs	:	9.0
Others	:	19.8
* Promoters pledged shares (% of share in issue)	:	Nil

**PRICE PERFORMANCE (%)**

	Stock	Nifty	EW Media Index
1 month	13.6	6.2	5.3
3 months	8.9	0.5	(4.9)
12 months	79.8	7.9	7.4

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