

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

Statements in this Management Discussion and Analysis of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Thus the Company's actual performance/results could differ from the projected estimates in the forward-looking statements.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the Annual Report.

Overview

The year gone by has been the most opportunistic and challenging for the Digital Broadcast Industry. The mandate of digitization set open a gigantic market of analog users waiting to get digitized across Top 42 cities. Aggressive play by digital cable systems was witnessed wherein DTH clearly went on establishing itself as the most preferred choice for digital viewing of pay television content. Out of the approximately 60 Million installed base of digital connections, substantial number of connections have become part of the DTH category.

Dish TV's strategy was encompassed keeping in mind these challenges as well as maximizing the opportunity for DTH presented by the DAS mandate of the Government of India. Your Company continued to be in the forefront of digitization achieving a substantial part of the DTH subscribers in the Phase I digitization markets of Delhi, Kolkata, Chennai and Mumbai. Our strategy has been to deliver sensible growth with long term profitability as the ultimate objective. We have been able to achieve our objective of sustainable growth through sustained consumer delight based on better offerings - product as well as services. It has been our endeavor to maximize consumer value proposition thereby leading to better acquisitions as well as earnings.

Your Company continued to lead the way in innovation by launching India's first Standard Definition Recorder at an affordable price to the consumer. This Standard Definition Recorder is a unique product which brings the benefit of recording to the mass consumers for the first time and was enthusiastically lapped up by the consumers.

During the year under review your Company also took the initiative to roll out its service network Pan India from a

presence in around 200 cities earlier. This move represents significant steps by the Company in putting the customer first and will dramatically improve our service quality across all pop strata and across income groups.

Your Company continues to expand its distribution footprint and now reaches over a 1,00,000 outlets for Set Top Boxes and the customers can recharge from over 25,000 outlets nationally. In keeping pace with the changing technological trends, your Company has made available payment solution for recharge through the Interbank Mobile Payment Service (IMPS). This will allow customers to easily recharge their subscription using a simple mobile phone. We continue to work to expand the availability of recharge facilities for our customers both directly and through third parties so that our customers have recharge facilities available anytime and anywhere. We continue to believe that continuous process improvement, better technology, focus on end-to-end customer experience management and evolving exclusive techniques to combat intense competition will continue to drive the Company towards new heights and glory.

SWOT ANALYSIS

Strengths

The legacy of the brand coupled with the heritage, lead in technology and innovation through Dish+, India's first SD Box with recorder has helped brand proliferation and adoption of recording in many Indian households. Wide - spread availability of product across the length and breadth of the country, maximum number of channels and services offering in Standard Definition, cutting edge satellite technology with dedicated satellite for HD services has paved the way for addition of new HD channels. The increase in bandwidth by the Company has fueled addition of new channels thereby strengthening channel offerings. Dish TV today is the undisputed leader in content offering and satellite technology with state of the art broadcast facility which is future ready.

With enhanced call centre support, our Company is a benchmark in query resolution and providing great consumer experience. With multi lingual support to cater to linguistic masses it has improved customer relations and brought delight.

As a path breaking measure, the launch of Dish+ made the competition sit up and take notice of this significant product and technology. For the first time ever this Standard Definition Set Top Box with recording facility was provided without any additional cost. The viewers immediately adopted the recording feature and the unlimited recording feature served as a boon for the Company. This was a significant competitive advantage which the Company enjoyed.

The sustained efforts of the Company to increase the dealer and distributor count resulted in an increase in their total numbers. The increased count has led to more accessibility and provided a momentum amongst trade community. The trade partner network comprising of dealers, distributors, installers, Service Franchisees, Dish Shoppe's, Dish Care Centers, modern trade, chain stores and e-stores are spread all across the country to cater to the increasing consumer demands.

Weakness

The growth in the category has been impacted by increasing number of de-active consumers. This has led to a marginal increase in the net additions of consumers which is below the Industry expectations. Due to the impact of digitization the cable operators have been able to seed in the boxes with ease leading to easy conversion of cable connections to digital cable connections.

With the pack pricing across the category normalizing itself, there is not much scope to create packaging differentiation. This was a big impediment which made it difficult to provide any value for money hook on the basis of which the brand can positively leverage itself.

Opportunities

After the successful completion of digitization in Phase 1, it has led to a myriad of possibilities. The biggest one would be the exposure of imperfections in the cable Industry. The Industry due to its nature of not being organized is slowly going to deliver bad customer experiences be it the billing system, service deliveries or call centre experiences. Since it is going to take time for cable fraternity to put their act together there lies an opportunity to inform consumers about the impeccable experience which a DTH can deliver.

The ongoing digitization also represents a shift in consumer attitude and focus. Since they have become more discerning, the likelihood of adopting modern and convenient technology like DTH is highly probable.

Opportunity also lied in acquiring quality consumers who made a difference to the bottom line. Not only their contribution to ARPU was significant but they also increased brand loyalty.

The positive disposition of the government towards the Industry was a positive sign and it helped in fast access devoid of any drastic decisions.

The emergence of Recorder as a category across major cities was a big event of the year. It also saw the initiation of consumers to the recording phenomena. All the major sporting events and movies were archived by the consumers and watched over and over again.

Threats

Intense competition from other DTH players as well as digital cable and compulsory digitization leading to diminishing market potential poses a likely threat to the Industry as a whole. Easy access of cable into homes as a measure to seed in the digital cable boxes easily vis-à-vis an intense logistically driven exercise for DTH is also a potential threat. High incidence of taxation and regulatory intervention will continue restricting the growth and profitability of the DTH sector.

Strategy

The year gone by has been the most opportunistic and challenging for the Digital Broadcast Industry. The mandate of digitization set open a gigantic market of analog users waiting to get digitized across top 42 cities. Aggressive play by digital cable systems was witnessed wherein DTH clearly went on establishing itself as the most preferred choice for digital viewing of pay television content.

Dish TV strategy was encompassed keeping in mind these challenges as well as maximizing the opportunity for DTH presented by the Digital Addressable System (DAS) mandate of the Government of India. To spear head the DTH advantage, Dish TV with a well crafted insight, re-positioned the brand in the space of passion for entertainment, tapping into consumers who are passionate about their dose of entertainment and establish Dish TV as an endpoint for all TV entertainment needs.

With consumers seeking maximum value for their money, the Company brought forth unparalleled offerings in form of lucrative entry offers, schemes like 70+ channels free for Lifetime, cash back offers to ensure best competitive advantage. Carrying forward the spirit of innovation and leadership, Dish TV unveiled its Standard Definition Box with Recorder, thus redefining the recorder category.

The Company with focused enhancements in the pillars of Content, Service and Technology continued to gain significant edge from the competition. To ensure maximum coverage and visibility around the digitization wave, incremental investments were made on ground and in - shops. Dish TV carried expansion in service infrastructure across India to cater to the massive demand and providing quick service support to the customers. The Company upgraded to new CRM system to establish seamless service delivery.

With a robust sales and distribution network, Dish TV ensured strong foothold in retail outlets combined with an All India Service Network. In a service driven Industry, it is also pivotal for a Company to enhance the existing

subscriber experience by constantly designing offering to match their dynamic needs. The strategy was to position Dish TV as a service led brand with the objective of meeting customer delight. Within this endeavor, the Company introduced an exclusive Dish delight programme to recognize our valuable subscriber base and benefit them with unique privileges such as Free relocation, Free upgrade, Express queue etc.

Your Company will look for growth in terms of value per customer, innovative technology driven offerings, harnessing the opportunity of convergence and create value for all the stakeholders.

Key Performance Indicators

In view of intense competition in the DTH segment and a competitive pricing environment - providing subsidy on the DTH hardware, brand building, penetration in the rural market and up-gradation of the existing subscribers to the higher value packs drew the management attention all throughout the year. EBITDA margin continued to surge upwards during the year. Customer Care, service quality, expansion of Service Franchisee and Dish Care Centres also remained the focal for retaining and servicing the customers.

During the year key highlights of operational performance were as under:

- Gross subscriber base stood at 15.1 Million on March 31, 2013;
- Operating Revenue for FY 13 stood at ₹ 2166.8 Cr;
- EBITDA for FY 13 stood at ₹ 579.5 Cr;
- Total Number of Channels & Services 325, being the highest in the category;
- Total number of HD service stood at 42, once again the Highest in the category;
- ARPU for FY 13 stood at ₹ 158

Risk Management and Internal Control

Your Company believes that risk management and internal control are fundamental to effective Corporate Governance and the development of a sustainable business. Dish TV has a robust process to identify key risks and prioritize relevant action plans that can mitigate these risks.

Dish TV's philosophy towards control systems is mindful of leveraging resources towards optimization while ensuring the protection of its assets. The Company maintains insurance for its assets which provides cover for damage caused by fire, import, transport perils etc. Your Company deploys a robust system of internal controls that facilitates proper authorization of financial transactions, accurate and timely compilation of financial statements and management reports and ensures regulatory and statutory compliance and safeguards investors' interest by ensuring highest level of governance.

Internal control systems are continuously monitored by the Internal Auditors and are also periodically reviewed by the management for not only checking any deviation or departure from the policies laid down across various business processes but also for further upgradation and modifications suited to the prevalent changes in the Industry. The Company also endeavors to minimize the effect of fluctuation in forex rate, interest rate, commodity purchases by entering into long term contracts and adopting prudent commercial practices. The Company has ventured in business continuity plans and disaster recovery initiatives in order to ensure continuity with normal operations and seamless service to its customers under most circumstances.

Readers are cautioned that the risk related information outlined here is not exhaustive and is for information purpose only.

Talent Management

With the expansion of the Industry and the upsurge in the DTH market as a whole, people have increasingly emerged as a strategic driver of the Company's business. Over the last years, people policies and people management framework have been aligned to serve the larger business goals of the Company.

Long term development of human capital and strategic employment of retention tools remained at the core of the Company's strategy. The Company has young and vibrant team of highly qualified professionals at all levels

Significant emphasis is also laid on enhancing managerial and leadership qualities at senior management level to propel the Company towards stronger and more sustainable growth. The Company has paid focused attention on management of available resources by training, re - training, incentivizing and a fair policy of promotion, transfer and equal pay for equal work. The Company aims to continue to nurture the talent management process of the Company which is the quintessential to continue with the exponential growth of the Company.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimate, expectations may constitute a "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/ supply and price conditions in the domestic markets in which the Company operates, changes in the Government Regulations, Tax Laws and other Statutes and other incidental factors.