



**Mr. Subhash Chandra**  
Chairman, Essel Group

Dear Stakeholders,

It gives me great pleasure to present to you the first Annual Report of dishtv after it was listed on 18th April'07. The response of the investor community has been heartwarming, with a market capitalisation of over US\$ 1 billion. Our company is thus part of a select group of less than 200 Indian companies that constitute the 'Billion Dollar Club'. My thanks to you, for your unstinted support.

The Indian Entertainment & Media Industry is estimated to be Rs. 450 billion and is on a growth overdrive, with a conservative projected compounded annual growth rate of 18% over the next 5 years. Television revenues are

increasing, both in terms of advertising & subscriptions. Moreover, India is today the world's third largest television market with 117 million TV owning households, growing at 7.5 % per annum. This means a 54% penetration of TV. It is estimated that close to 12 million TV sets are added every year. With India's annual GDP growth rate of close to 9%, this penetration is likely to increase to 57% by the year FY2008 and 64% by FY2011. This scenario presents new challenges and opportunities to all players involved in the Industry. This is also driving healthy competition and therefore a mutually beneficial long term relationship between consumers, content providers and distribution companies and will act as a nucleus for self sustaining growth of the entire value chain.

Digitalization is driving a complete makeover of the Indian distribution space and dishtv with its pioneering legacy and first mover advantage, is ideally placed to benefit from this opportunity. The DTH space is slated to grow at a scorching pace and is all set to emerge as the sunrise sector of the next decade. The Industry size was 2.6 million subscribers in March '07 and is expected to grow to 5 million in FY2008 and 27 million in FY2011. At an 80% compounded growth per annum, Industry Revenue is expected to touch Rs.100 billion by 2011.

2007 was a year of rapid growth coupled with consolidation, for dishtv. We closed the year with 2 million subscribers, having added 1.1 million subscribers during the year. This gives us a year end subscriber market share of 77% of the industry.

#### MARKET SCENARIO

The year 2007 also saw the aggregation of content on our DTH platform. With availability of all bouquets, focus shifted from just selling in smaller towns, to also include all the big towns & metros. Today, a third of our business comes from the top 50 towns and going forward, this is likely to increase to 50%. During the course of the year, we transitioned into a truly national player in this space.

This year also saw the emergence of competition, with one new player entering the DTH space. This year also saw the partial implementation of Conditional Access System (CAS) in parts of Delhi, Mumbai & Kolkata, thereby presenting an opportunity to both DTH & Cable Operators to expand their reach and improve customer alignment. CAS is likely to be extended to cover these three metros fully by the end of 2007. Over the next 2 years, it is expected to be extended to cover a total of 55 towns. The future belongs to digitalization and both DTH and Digital Cable will eventually find a healthy balance and learn to co-exist.

#### PILLARS OF SUCCESS

In the DTH business there are 4 key Pillars of Success - Brand, Distribution, Service, Content & Innovation. Success will belong to those who get their act right in these areas. During 2007, our company has taken significant strides in all these areas:

**Brand** - dishtv has emerged as an important national brand, with a strong presence in both urban & rural India. Large financial

investments have been made in strengthening the brand and today it is recognized as a Pioneer, which stands for Leadership, Innovation & Reliability. The brand is visible across all media - TV, Press, Radio, Internet & Outdoors - across the length & breadth of the country. An important indicator of our pan India presence is that our subscriber base is spread across all states, with no dependency on any particular region or state. Going forward, as the pioneer, it will become the task of marketing to unveil plans to educate the masses & make this product category & brand more relevant to consumers.

**Distribution** - The year saw considerable strengthening of the S&D infrastructure with distribution reach extending to over 4100 towns and over 35,000 retail outlets dealing in such diverse product categories as durables, telecom & gifts. We also established 12 Branch Offices and a nationwide supply chain through 18 Regional Warehouses. Distribution is a key strength and differentiator of our company.

**Service** - Service will be another differentiator of our company as we go along. We have 12,500 direct & indirect people engaged in providing service across India. Service excellence is being maintained through a 24x7 Call Center that employs approx. 1000 agents and a front end service network of close to 100 Dish Care Centers (DCCs) and service franchisees in the top cities. These DCCs operate as per the company's guidelines and deliver on-site service to customers. We are successfully making the transition from being a Technology oriented company to one that is Service driven.

**Content & Innovation** - Content is king. With over 170 channels, dishtv has by far the widest offering in the Industry. We have also launched a host of new age features like Near Video on Demand (nVOD), Sports Active, News Active, Mosaic for all genres & Games for children, thus maintaining our pioneering & leadership position. In a first and only of its kind in India, passengers of a prominent Indian airline can now see television channels, beamed live in flight, through the dishtv platform. Truly a triumph of technology. Similarly, we have also facilitated the viewing of live television in ships, including Naval Warships and moving vehicles through our Mobile Dish initiative.

#### PEOPLE & ORGANIZATION DEVELOPMENT

dishtv is in the midst of a comprehensive organization restructuring exercise as recommended by 'Hay Group', especially in the areas of Sales & Service. From being a simple organization, we have transitioned into a matrix organization with the creation of seven Zonal Hubs. Senior high caliber & empowered professionals have been recruited, to head these hubs and to take combined ownership for Sales, Service, Supply Chain, Regional Marketing & Collections. Senior professionals have also been recruited as Heads of Departments of various Corporate functions. The Sales Organization has almost doubled and the Service Organization almost tripled in the last one year. New verticals have been created at the Corporate level to support the field and to drive initiatives. All this has resulted in an organization that is highly competitive in nature, that is highly customer facing and that will have quick response time & speed to market. People are our key assets and we are creating an organization to manage future growth & challenges.

#### FUTURE COMPETITIVE SCENARIO

The process of structural change has kick-started in the Indian television distribution business. Digitization is driving its complete makeover, simultaneously on multiple platforms including DTH, Digital cable and IPTV. We expect 56 m Indian households to be digitally connected by 2011, of which the lion's share would be on DTH platforms. The Indian DTH market is expected to evolve more on the lines of the telecom market, where the entry of multiple players led to explosive growth.

Within DTH, a total of 5 players are expected in 2008. This heralds good news for the Industry. With increased competition and greater spends on advertising and customer education, the market will expand just the way the mobile telephony market grew with the advent of competition. With 27 million subscribers expected in FY2011 and 61 million in FY2015, DTH in India will be one of the most exciting markets in the world and there will be room for everyone to grow & flourish.

With this, I would like to thank all of you, my fellow shareholders, for your continued support & investment. We will continue to make every effort to ensure that our company is counted among the top Service Organizations in India and remains a valuable investment for you.

**Subhash Chandra**