

## Management Discussion and Analysis

India's TV viewership is among the largest in the world at 115 million, just ahead of US (112 million households) but well behind China (386 million households). However, the total TV penetration of 54% in India is still much lower than that of other countries in the region. At the same time, pay TV has attained a fairly high penetration in India at 64% of all TV households mainly in the analogue format. This indicates that as TV penetration increases, pay TV has the opportunity to grab a larger share of the TV households' pie.

With the huge untapped potential aside, key demographics shifts and changes in the Indian economic environment are fuelling consumption growth like never before. According to Indian National Readership Survey, the number of pay TV homes increases with the rising household income levels.

In terms of sheer numbers, TV households are projected to increase from 115 million to 132 million by 2012 at a growth rate of 3% over the next five years. In this, the pay TV homes are projected to increase from 74 million (64% penetration) in 2007 to 115 million (87% penetration) in 2012. Currently, cable TV homes command a penetration of 95% i.e. 70 million of the pay TV homes. This is projected to come down to 68% by 2012 and DTH homes would increase from 4 million in 2007 to 25 million by 2012 thus increasing their penetration from a low of 3% of the total TV homes in 2007 to 19% in 2012.

DTH regulation in India is also in the process of evolving, with TRAI addressing issues related to tariffs, interconnection, and implementation of CAS would encourage competition between distribution platforms and industry players.

With the emergence of new competitors the industry will grow and mature which will eventually help in strengthening its footage as a formidable option of TV service providers. Key area to watch will be SAC (Subscriber Acquisition Cost); growth in ARPU; Content cost; Govt. Regulation; Taxation policy; Provision for exclusive content; CAS rollout and overall development of the economy in the days to come.

Moreover a reduction in License Fee from 10% to 6% will help in augmentation of Income and we are expecting this to be realty anytime during the year.

With the multiple growth levers available, the challenges to the DTH providers will be largely to balance subscriber growth with ARPU enhancement.

### Activities during the year

This entire year the focus has been on a three pronged strategies of aggressive subscriber acquisition, improvement in quality of subscribers and enhancement of customer experience at all service touch points. We are proud to have built an organization that is leading the category from the front – innovating in more ways than one.

### Focus on Brand Building

In the last few months huge investments have been made into brand building activities on two fronts – a stronger affinity with the mother brand ZEE and thru our tie-up with our brand ambassador Shah Rukh Khan who has taken our brand promise to market very effectively. Further, dish tv's transparency campaign, "**The dish tv Challenge**", helped garner large volumes in an otherwise price sensitive market. The idea was to provide flexi plans that will benefit the consumers across all segments and help them evaluate the benefits of a single price, with no hidden costs whatsoever.

### Improving the service levels

Moreover, large strides have also been made in our organization's structure development and service infra enhancement in order that we meet each subscriber needs efficiently and in the lowest possible turn around time. Continuous efforts have been made into ensuring a delighted subscriber base where promising renewal trends can be seen. Initiatives like, the launch of my account page that allows subscribers to know their renewal info on their TV screens, on-board calling for newly acquired members of the family, uniform call centre numbers and facilities, service extension of dish care centres to over 120 towns.

### Providing an experience to customers

Dish tv continues to be the platform with the widest content, packaged in most consumer friendly customizable packages, which continues to be one of our biggest strengths and product differentiator that is not easy to match.

### Overall Competitive Advantage

We are confident to face the competition and emerge stronger as a DTH Player of choice by the public. The following strengths that will differentiate us from the competitors:

- **Wide subscriber base:** The Company has created a Zonal structure comprising of 7 zones to create a wide spread distribution capability across India. We have a geographically diverse subscriber base in the 4 corners of India. We also believe that our large subscriber base contributes to achieving other economies of scale which will help us breakeven faster than our competitors.
- **Distribution & Customer service network:** We have a network of 575 distributors and approx. 45,000 dealers (dealership presence in 5,200 towns). We have systems for collections and customer service with over 25,000 service personnel and 100 Dish Care Centers, offering customer care in 9 different languages. Our emphasis is to build capability in the team to develop subscriber relationship management and CRM calendars which will help in timely collection and to upgrade offers. With the emergence of new players with telecom background, their existing dealer network will be extensively used which will not be less than 2,00,000 which will deepen the market potential and provide reach to the customer.
- **Substantial Channel Capacity and High Quality infrastructure:**

We are using transponders as on date on the NSS-6 Satellite comprising four transponders of 54MHz. and five transponders of 36MHz. distributed in horizontal and vertical polarizations. We believe we are able to deliver to our subscribers one of the widest selections of programming available today around the world. We have also partnered with following software providers:

  - Open TV for middle ware
  - CONAX for encryption and authentication
  - SCOPUS/TANDBENG for compression systems
  - HARRIS for automation and broadcasting software
- **First Mover Advantage:** On account of being the first DTH service provider in India, with a large footprint of trade and subscribers in both urban and rural markets the company has

secured relatively large market share.

- **Promoter backing:** Our Company is promoted by Essel Group, which comprises of India's largest integrated media houses (ZEE) with requisite industry domain knowledge. In addition, we believe this brand name enhances our ability to secure strategic alliances with programmers, distributors and other technology and service providers.
- **Multi-tiered / Regional packages:** The content is offered at various price points to customers based on the viewer preference and capacity to pay. This helps us in driving numbers from different consumer segments – both demographically as well as geographically.
- **Cost conscious:** The entire set-up is under continuous monitoring to derive economies of scale from content providers and equipment suppliers.

### Business Strategy

In the face of the opportunities which lies ahead, as well as the challenges with respect to the competitive environment, going forward we would focus on:

#### 1. Enhance Sales & Marketing

We expect to continue growing our subscriber base through marketing programs that capitalize on the strength of our brand. In addition, we expect to have focused attention on sales related to Multi Dwelling Units (MDU), Key chain stores, Corporate Direct Sales, Corporate tie-ups for bundling of product, special prime offers for regional festivals and of course sports led sales.

#### 2. Improving ARPU

At approximately USD 4-5 per month, incremental ARPU in India is lower than elsewhere. DTH operators are looking at value added services to increase ARPU in addition to expanding their broadcast content offerings. Video on demand and Interactive content are some of the key thrust areas. Though currently negligible, value added services could comprise up to 10-12% of the ARPU generated by the operators, as seen in other DTH markets globally. Package upgrades would also add a positive drift to ARPUs.

#### 3. Service Capability

While the service side of the business made great progress in this year, we still feel that a lot of work yet needs to be done. Expansion of Dish Care Centre, Service franchisee, Dish Shoppe and Collection Agency will receive lot of attention and focus in this year. We want to delight our customers and do so at a low cost by operating smarter and more efficiently. We believe that providing high-quality customer service is an important element in minimising subscriber disconnection, or churn, and attracting new subscribers.

#### 4. Corporate Governance and Value creation

We strongly believe that group corporate governance and management best practices are critical for long-term sustainable growth and for building resilience to competition. It will drive and ensure accountability, transparency, professionalism and risk containment.

The recent re-structure exercise will create more value and build a focused business approach that will go a long way in creating value for the stakeholders.

### Risk management and Internal control system

We are engaged in diversified businesses. The risk events are identified, assessed, mitigated and monitored for each business separately.

Our risk management approach comprises of three key elements, which are as follows:

- **Risk identification:** External and internal risk events, that must be managed are identified in the context of each business' strategy and specific business objectives. These risk events are assessed by senior managers of the business on defined criteria and prioritized for development of risk mitigation plans. Broadly risks are classified into Strategic, Operations, Financial and Knowledge risks, which are further drilled down to market structure, process, systems, legal, governance and people's culture.
- **Risk mitigation:** This step comprises developing of a mitigation plan for the risks identified and to be treated on priority.
- **Risk monitoring and assurance:** Key risks are managed through a structure that cascades across the corporate and business. At the corporate level, senior management is responsible for the risk management process and reviewing the implementation and effectiveness of mitigation plans.

Apart from business risks, the Company is exposed to risks on account of interest rate, foreign exchange, commodity pricing and regulatory changes, the details of which are as follows;

- **Foreign Exchange Risk:** We import a substantial part of CPE (Consumer Premises Equipment) and are therefore vulnerable to the fluctuation in forex market. Some of our exposures are hedged to mitigate the risk arising out of wild fluctuation in forex market.
- **Interest Rate Risk:** We are also exposed to change in the interest rate structure and will impact our Profit & Loss account if rates fluctuate.

### Talent Identification

The Company's talent Identification process is aimed at identifying employees who have the aptitude, capabilities and qualities necessary to undertake work, involving greater responsibility and skill levels, than their current one. Another aspect of talent identification is to create a talent pool by identifying individuals with leadership qualities and nurturing them as future leaders. A proactive and an effective succession management is in place, to nurture the talent pool. Individual development plans have been drawn detailing the career steps of the individual.

### Cautionary Statement

Statements in this report describing the Company's objectives, expectations or predictions may be forward looking within the meaning of the applicable laws and regulations. The actual results may differ materially from those expressed in this statement.

### Dish TV - An Overview

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