

Management Discussion and Analysis

Dish TV – An Overview

The Indian DTH industry has seen phenomenal growth, currently encompassing close to 26 Million subscribers. In a very short span of time of 5 years, the DTH sector has already acquired 25% of the cable and satellite household and is expected to reach 50% in the next 3 years. The key drivers towards the growth story are aggressive marketing efforts by the DTH operators, affordable and attractive entry price, quality of services, wide range of sports events, increase in value added services, variety of channel options to the subscribers and an overall euphoria towards acquiring better products.

The intensity of competition has led to availability of wide choice for the masses. This is also an outcome of heightened awareness through media spends, by the category players, across all media, through out the country. The majority of new customers continue to hail from the hinterland and this is amply supported by the rural consumption story led by high disposable income due to rising growth in GDP.

The Indian economy has emerged stronger and is more resilient after the recent global melt-down, which is reflected in the growth of consumption pattern across all economic strata. Despite the recent rise in inflation and interest rate, the growth in the items of mass consumption has not been deterred. India continues to sell around 13 to 14 Million Television sets per year and it is expected that this phenomenon will continue for years to come. The reduction in the prices of Color TV has led to widespread acceptability of the DTH in the rural area also. Moreover, the recent variety of Television sets such as LCD TV, Plasma TV, LED TV, 3D TV etc have resulted in adoption of DTH as a medium of receiving the channels.

With 8.4 Million Subscribers, Dish TV retains one third of the entire DTH market despite stiff competition from other 5 DTH players.

SWOT ANALYSIS

Strength

In addition to being the First DTH operator to commence operations and a strong lineage of the largest media conglomerate – Essel Group, Dish TV has had the advantage of its largest offering of Channels and services among all the six DTH Operators. Dish TV has provided the benefit of cutting edge technology, which has resulted in Dish TV being the first and only operator in India to beam live-TV in Airlines, Buses and Indian Railways. The nation wide presence of Dish TV with a very large number of dealers, distributors, service franchisees, Dish Shoppes and Dish Care Centers, with affordable and relevant offerings across genres has contributed towards Dish TV continuing to be the largest DTH operator in the country. Some of the recent initiatives towards creating customer delight are services like Home Pick, Call me – where the customer gets a call from Dish TV. A wide range of movies through Movie on Demand has also resulted in achievement of better numbers and brand equity.

Weakness

The slow growth of Average Revenue Per User (ARPU) is definitely a cause of concern for the entire DTH sector. The issue is being addressed through various means like content enrichment, provision of ala carte and niche channels, expansion of recharge points, control of churn of subscribers and continuous up-gradation of quality of services offered through the Dish TV DTH platform. The intense competitive scenario in a 6 player category, forcing one-upmanship in order to acquire subscribers, also some times act as a deterrent toward the growth of ARPU and the initial entry level revenue.

Opportunities

The total number of households in our country is around 226 Million out of which Television households are only 135 Million. Out of the 135 Million TV households, 105 Million are C & S households. At present, the DTH market stands at 26 Million households leaving large room for conversion of analog cable households to DTH and new TV households too, in the fold of DTH. With the Government drive for rise in rural electrification, income and the consumption patterns, people have started demanding quality products, which is working as an impetus towards the growth of the section in Tier II & Tier III cities and rural areas also. This is resulting into faster adoption of DTH as a category.

The presence of all channels across the country is an enabler and will continue to be the game changer in favor of DTH Platforms. The recent regulation of Telecom Regulatory Authority stipulating the complete Digitalization by 2013 will further strengthen the demand and growth of the sector. The recent success in installation of Dish TV DTH in railways and buses will also unfold opportunities of such roll out in times to come. The new retail chain outlets spreading all across the country will also help in presence and acceptance of the DTH category as an off-the-shelf product.

The recent successful launch of Dish Tru HD will create a new demand for the technology in the Tier I cities, further accentuating the growth story. In nut shell, the rise of rural consumption, reduction in the entry level price, variety of content, wide spectrum of value added service, large landscape still under cable dry area and the approach towards personalizing the services to the customers will continue to act as opportunity areas in the forthcoming years for dishtv's DTH service.

Threats

Continuous rise in competition with intense competition to acquire customers by reducing entry prices thereby contracting ARPU is a matter of concern for the industry. Moreover, the recent rise of digital cable operators in some parts of the country and the cost of servicing on continuous basis is another threat area. Churn management is another key important metric for better productivity of the market inputs by the organization.

Strategy

The growth of the DTH category is linked with the India growth story and both will continue with some amount of volatility. The focus continues to remain on acquisition of new subscribers from all across the country, deepening the sales and distribution network, improvising upon the services being made available to the subscribers and spread of network of pre-paid charge coupon in every corner of the country.

Being a pioneer in the category, the focus is in bringing technological changes to the customers in order to enhance the experience of television viewing and strengthening the brand. One of the key strategies is a rigorous brand building exercise, as in a six-player market; nearness to consumers' is a key differentiator. Going forward, the emphasis will remain on being considered as one of the best service brands in the category. The continuous and rigorous efforts towards brand building exercise has resulted in the Company being awarded "Power Brand" which indicates the brand value created and generated over the period of your Company's DTH operations.

Revenue enhancement continues to be a focus area. Furthermore, the team is driving a revenue model to achieve profit after tax. Several new initiatives have been undertaken a key one being creation of new tiers in "Silver Saver" and "Gold Saver" to upgrade the subscribers stationed at lower packs. The initial response is encouraging. We are also optimistic on being able to generate advertisement revenue from channels, movie on demand and a la carte channels. This will definitely result in revenue moving upwards.

ARPU continues to be a focus area and in order to augment the ARPU, high definition set top boxes were launched for the up market high end customers. The initial response is encouraging and it has potential to take the Company into a new paradigm of high technology at affordable price point.

Optimization of cost is a continuous process. The content cost has been fixed to a large extent and there has also been a cut down on distribution and logistics costs. Due to the size of operation, economies of scale can be utilized across all product and services buys, helping curtail cost even in the days to come.

Customer continues to be the "prime" focus and mover for our category. Our strategy is confined not only to acquire customers but attention is also given to retain and grow the customer so that the customer continues to participate in the growth story of the company as well as reaping the benefits of DTH.

KEY PERFORMANCE INDICATORS

The Company is subsidizing Consumer Premises Equipment (CPE) in order to gain the market share and achieve the minimum targeted number of subscribers. Continued effort on operational efficiencies and cost containment will drive the

future numbers. We have already achieved break even at EBITA level as a result of our focused attention on maximizing the revenue through a variety of product mix and keeping an eye on expenses to avoid wastefulness and competitive spending. During the year the key highlights of operational performance are as under:

- ❖ Gross subscriber base stood at 8.3 Million on September 30, 2010
- ❖ Operating Revenue for FY 10 stood at Rs. 10.9 Billion
- ❖ EBITDA for FY 10 stood at Rs. 915 Million
- ❖ Total Number of Channels & Services – 263, being the highest in the category
- ❖ ARPU for FY 10 stood at Rs. 138
- ❖ Expansion in Dish Care Network, Dish Shoppe, Service Centers, Distributors, Multi brand outlets, National Chain stores, Home Pick service, resulted in wider market penetration, reach to last mile subscriber and remain Omni present in most of the key markets of the Country.

Risk Management and Internal Control

The Company is having a Risk Management policy to identify, analyze, mitigate and control various risks associated with the business environment.

Internal control systems are continuously monitored by Internal Auditors and the Board are also reviewed by the management for checking any deviation or departure from the laid down policies across various business processes and guidelines. Major risk relating to fire, import, transit of goods etc. are insured. Foreign exchange liability on account of bank loan and other imported goods are monitored and hedged based on market perception and outlook of the forex market. We try to minimize the effect of fluctuation in forex rate, interest rate, commodity purchases, by entering into long term contracts and prudent commercial practices.

Talent Management

Focused attention on management of available human resources by training, re-training, incentivizing, and a fair policy of promotion, transfer and equal pay for equal work played a significant role in achieving the desired objective and remained competitive in terms of product quality, price pattern, brand equity and service deliverables. Nurturing of talent and best HR practices will continue to differentiate and provide strength to continue the lead in the DTH sector.

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.