

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors are pleased to present the Management Discussion and Analysis Report for the year ended March 31, 2007.

DISH TV - AN OVERVIEW

The total number of TV owning households in India is estimated at 117 million. This represents a 54% penetration of TV in Indian households. Out of this, Cable and Satellite households are 68 million. The DTH industry is currently pegged at 2.6 million subscribers. India is also one of the fastest growing and largest television markets in the world. Television households are estimated to grow to 165 million in 2011, resulting in an annual compounded growth rate of 6.5% p.a. 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. The DTH Industry revenue is expected to grow @ 80% compounded per annum over the next 5 years and will be in the range of Rs.100 billion in 2011.

Due to the continued buoyancy in the Indian economy and an annual growth rate of over 9%, the country's Gross Domestic Product is touching US\$ One trillion. This, coupled with increasing penetration of TVs, will give a boost to the demand for better quality products like DTH. In terms of sheer numbers, DTH subscribers are expected to touch 27 million in 2011 and 61 million in 2015.

The industry will move towards adoption of best business practices due to enhanced consumer awareness about the quality of content, convergence, customisation, configuration, digitalisation, dynamic pricing, product innovation and contemporary global viewing experiences. Customers will increasingly demand content from content providers, that they can engage and relate with and which has relevance to their social and leisure lifestyle.

Going forward, in the years to come, key drivers for the DTH industry will be Brand Strategy, Service Excellence, Content, Distribution reach across all corners of the country, Digitalisation of the industry, Strong high end television growth, Events like the Olympics and Commonwealth games, Robust international football and cricket calendar, improvement in the electricity generation situation and multiple service providers who between them are likely to spend anything between Rs.10-15 billion per annum on advertising and sales promotion. All these things, coupled with enormous consumer education, will result in the market opening up.

Challenges to DTH providers will be largely in the form of higher subscriber acquisition costs, high content costs, long gestation and profit break even periods, stiff competition among various DTH platforms and from the cable industry, high tax regime, frequent regulatory changes and non availability of transponder capacity.

SWOT ANALYSIS

STRENGTHS

Dish TV has the first mover advantage on account of being the first DTH service provider in India. Being a part of the Essel Group, there is strong promoter backing and committed investment. Dish TV is also India's only truly national DTH brand, with presence in over 4,000 towns and with an equally strong representation in both Urban

and Rural markets. Sales and Distribution infrastructure is one of the Company's key strengths. The Company has an extremely cost conscious culture that has resulted in multiple cost management initiatives making it one of the lowest cost service providers. Strong technology partnerships with organisations like Conax (Norway) and Open TV (USA) have helped/continue to help in providing cutting edge features and in maintaining technological leadership. Advance planning has resulted in adequate transponder capacity to meet the new channel launch requirements of the Company. This is an area where all other operators are likely to feel challenged over the next two years.

OPPORTUNITIES

GDP growth of almost 9% over the last four years has resulted in India's huge middle class flexing its muscles and an explosion in consumerism. With net disposable incomes on the rise, Indians are spending like never before on acquiring the latest products and products that are aspirational in nature. DTH, with its superior quality and wide ranging maneuverability and flexibility - Active services, Interactive services, multipoint channel viewing, gaming, Electronic Program Guide etc. - is increasingly being adopted by those who want great quality TV viewing experience. So far the Company has concentrated on household customers but a wide scope exists in areas relating to Multi Dwelling Units, Institutions, Guest Houses, Restaurants, Hotels and other Commercial establishments. Further, the emergence of large retail format stores across the country is creating a totally new opportunity. These will become more important as the retail industry in India goes through a consolidation phase, from its current highly fragmented disposition. As the Industry matures, value added services will give a boost to ARPU.

WEAKNESSES

The DTH Industry in India is an intrinsically low ARPU market, with one of the lowest rates in the world. This poses a challenge to the profitability of operators. This will continue till exclusive content becomes a reality, till people are willing to pay for more content and till value added services catch on with consumers. In all these areas, the Company has clearly defined strategies to increase ARPU.

THREATS

India will have between 4 to 5 operators in the DTH space. While this will help in expanding the market, as happened in mobile telephony, it will also result in higher subscriber acquisition costs by way of increase in promotional spends and higher subsidy on set top boxes. IP TV is also likely to come in, but is unlikely to be a major threat. With increasing competition management of churn and quality of subscriber acquisitions will also be a challenge.

BUSINESS STRATEGY

In the face of the opportunity that lies ahead, as well as the challenges with respect to the competitive environment, it would be paramount to sustain high paced growth and long-term viability of the business model. On a broader scale, the Media and Television industry is also going through a dynamic phase, therefore flexibility, adaptability and growth remain key concerns of the management. Going forward, we would build our business strengths, on the following strategies:

(I) **Brand Building:** Dish TV is already considered a pioneer and

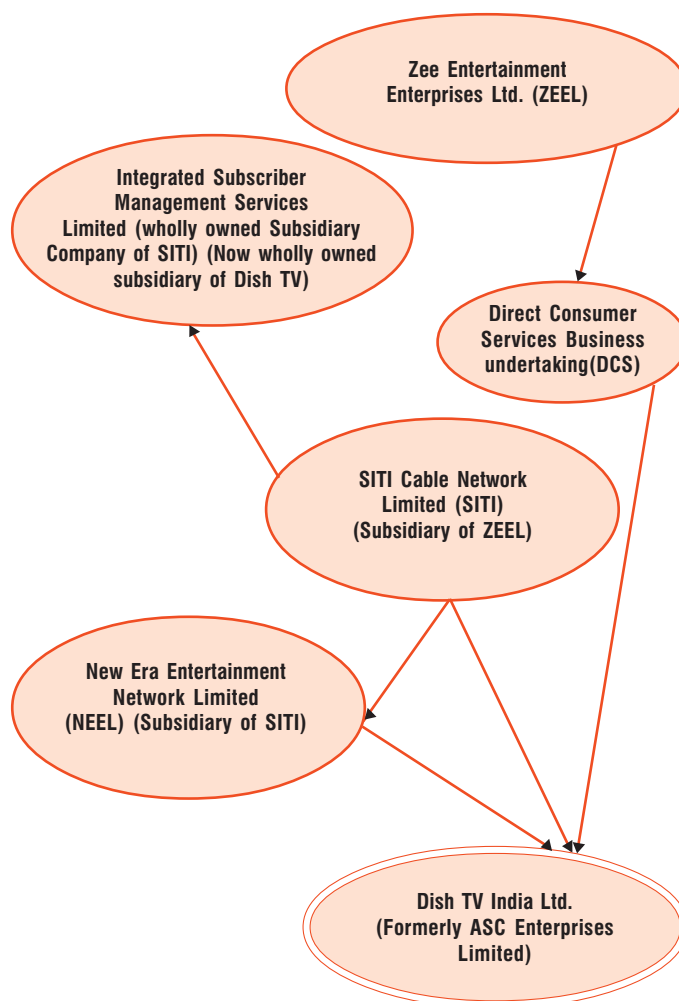
leader in the DTH segment. Efforts will be on, to make the brand a force to reckon with, that carves a niche for itself in the consumers' mind-space and life. Further, it will be the task of marketing to educate consumers, about the relevance of this technology to their entertainment needs, which will drive faster adoption. Value added services, will become more aspirational and find higher usage, as the product penetration expands. These services will drive not just brand stature but add to the revenue prospects as well.

(II) Subscriber and Revenue Growth: The Company has created a Zonal structure comprising of seven zones to create a wide spread distribution muscle across the length and breadth of the country. Apart from traditional retail outlets in the durable and telecom categories, the product will also find presence in multi brand national and regional modern trade chain stores. These stores that attract large volume traffic will add to our sales numbers in the present year, apart from giving us a commanding brand presence in the market. Moreover, large Corporates are being approached for bulk sales for their employees, vendor gifts, trade schemes and the like. Whilst acquiring new subscribers would remain one of the primary drivers for growth, retention of existing customers would also be a key focus area. Distinct emphasis is being laid to build capability in the team to develop subscriber relationship management and CRM calendars that will help in reducing churn and boosting revenues through timely collection and upgrade offers.

(III) Service Capability: Recognising that service would be a key differentiator for this business, a commendable service team has been set up, over the last year, to take care of both the front end service management in the field and a back end support from the enhanced call centre capabilities. 93 Dish Care Centres (DCC) and service franchisees have been set up across major cities to provide on-site customer service, in the likelihood of such a service requirement. A large team of experienced professionals have been hired across regions, to build a service infrastructure that is commensurate with the growth in subscriber base and to steer the service function ongoingly. Call centre infrastructure has also been upgraded to cater to the demands of our growing base. Emphasis is placed on ease of access, instant customer responsiveness, quality of call centre interactions and fast resolution time. The objective being to build customer loyalty and an overall feeling pride of possession among the Dish TV subscribers.

(IV) 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 restructure exercise will create more value and build a focused business approach that will go a long way in creating value for the stakeholders.

CORPORATE STRUCTURE AFTER MERGER



- DCS business was merged with Dish TV and in lieu of such Merger, Dish TV issued 5.75 shares of Re. 1/- each for every 10 shares held by ZEEL shareholders.

Reorganisation of Share Capital: (Rs. in Crore)

Equity Share Capital before reorganisation	71.56
---	--------------

99.72 crores shares of Re. 1/- each fully paid up equity was issued in the ratio of 23 shares for every 10 shares of ZEEL.

Reduction of 99.72 crores shares by cancelling of 3 shares for every 4 shares held and issue of 24.93 crores shares to ZEEL shareholders.

Therefore final equity of Dish TV India Ltd. is as under:

1. Shares issued to ZEEL shareholders	24.93
2. Reduction of existing equity of 71.56 (In the ratio of 3 equity shares for every 4 equity shares)	17.89
Total share capital	42.82

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company believes in formulating adequate and effective internal control systems and implementing the same to ensure that the assets and interests of the Company are safeguarded and reliability of accounting data and its accuracy are ensured with proper checks and balances.

The Company has a strong internal audit programme, which examines and evaluates the adequacy and effectiveness of Internal control systems. The internal audit ensures that the systems designed and implemented, provide adequate internal control, commensurate with the size and operations of the Company. Management Information System (MIS) forms an integral part of the Company's control mechanism, where all operating parameters are monitored and controlled. An effective budgetary control on all capital expenditure ensures that the actual spends are in line with the capital budget.

The Audit Committee of the Board, Statutory Auditors and the Top Management are regularly apprised of internal audit findings. The Audit Committee of the Company consisting of Non-Executive Independent Directors, periodically reviews and recommends the financial statements of the Company.

HUMAN CAPITAL

Since inception, we have endeavoured to establish ourselves as a progressive organisation, continuously monitoring and anticipating the changing market trends and evolving market dynamics. With this approach, we have been the change leader in the industry, setting what can be termed as “**Industry Benchmark**”.

Human capital in the organisation has always remained the constant appreciating assets, which have propelled the organisation to its present status. The organisation aims to post a consistent and healthy growth in the DTH spectrum. The attraction, preservation and development of high caliber people is the source of competitive advantage for our business.

Over the last 6 months, it was felt imperative to undertake an in-depth diagnostic and climate study with the purpose of aligning the aspirations, goals, structure, capabilities, processes and people with the organisation and most importantly bring about cultural change and uniformity across varied spectrums internally as well as with the industry. The entire exercise was to be followed by development of a Human Capital strategy and undertake various Human Capital initiatives for implementation across the organisation.

The task to realign and transform the organisation along with the building process has been greatly challenging. However, it has provided clarity on what an individual/employee is expected to do, the interdependencies and interfaces in the organisation structure and the requisite capabilities and the behaviour required.

Defining scope and responsibilities of the jobs and conducting job evaluation exercise for the whole organisation has been helpful to create clarity of structures, job roles and contributions resulting in effective implementation of organisation strategies and career and succession planning.

Identification of key and critical positions and identifying individuals with leadership skills and nurturing them as future leaders, has been a continuous process.

The organisation has also seen employee engagement initiatives like open houses, fun events, employee community building and recognition activities, which have build a sense of well being and excitement in the work environment. Training and development initiatives planned are focused towards increasing organisation's effectiveness and health through planned interventions in the processes, skills and competencies.

There have also been a lot of efforts spent in pruning and streamlining the PMS, employee MIS and HR services systems and processes. The process is being advised by Hay Group. The objective of human resources is to build and develop a Human Capital geared up to face the challenges of the business.

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 applicable laws and regulations. The actual results may differ materially from those expressed in this statement.