

Management Discussion and Analysis

Dish TV – An Overview

The DTH Industry in India continued to grow from strength to strength with widespread awareness and product penetration aided by the entry of three new players. The annualized marketing spends of about Rs.550 crores collectively by all players of the category, led to swift expansion of numbers with the subscribers near doubling, over the previous year. The aggregate subscriber base in the category, touched around 11 million out of the total universe of cable and satellite households of 78 million. Despite an overall slowdown in the economy that impacted most industries, the DTH category remained almost unfazed with consistent growth rate being experienced, throughout the year.

The industry is expected to add up another ten million new subscribers during the current financial year due to aggressive marketing efforts of all players, which will be further boosted by forthcoming sporting events like a busy cricket calendar and the commonwealth games.

Key challenges for the industry, in the near future will be to seek a moderation in the multiple taxation regime including reduction of License Fee & abolition of Entertainment Tax, faster roll out of CAS to the next layer of towns, coping with a high subscriber acquisition cost, building content capacity under a dearth of availability of fresh transponder space, dealing with emerging category competition from Digital Cable and IPTV etc.

Dishtv added in the last year, two million new subscribers into its fold, as against one million in the previous year, representing a 100% growth despite heightened competition from three new players. The key focus areas included revenue enhancement, augmentation of content, roll out of new services and cost containment. The same trend of run rate of subscriber aggregation is expected to continue in the current financial year too, thus building the user base exponentially, over the year gone by.

Going forward, the emphasis for dishtv will be on building diversified content, preparation for the convergence of digital services, continually leading the curve with product innovations and services, improvised collection mechanisms aiding faster and higher recharges and producing customer delight for its subscribers at all touch points.

SWOT ANALYSIS

STRENGTH

Dishtv was the first entrant in the DTH category and has thus become synonymous with the satellite TV broadcasting business in India. Leveraging its lineage with the Zee group, dishtv has built a commendable brand and relevant product that answers the consumer needs' for quality entertainment. Some of the inherent strengths stem from a strong presence all across the geography of India, consumer friendly and pocket friendly multi-tiered and customizable regional packages, abundant transponder capacity to support its widest content basket, a very strong and diversified content offering addressing consumers with diverse needs of genres and languages,

an extremely cost conscious structure and a superior technology for the entire gamut of services. The technological edge and differentiation with respect to other brands stands exemplified through its unique offerings of mobile dish with presence in aircrafts(Kingfisher), navy war ships, mobile vans and selected railway saloons.

WEAKNESS

The subscriber acquisition cost is still very high. However, compared to the current industry benchmarks, it stands at the lowest by far. The cost towards acquiring consumers is under constant scrutiny in an endeavor to bring it down. In a market trend of consumers down-sliding on the packaging tiers, due to more value being packaged at the lowest packs, dishtv has exhibited a growth in ARPU. However, ARPU continues to be an area of concern with the constant endeavor to monitor, upgrade and enhance the revenues.

OPPORTUNITIES

India's 127 million television owning households, which define the potential depth for the DTH category will act as a low hanging fruit for adoption. The further roll out of CAS by the new Government, into more towns will impact the growth rate of the DTH category and trigger consumers to make a decision between digital cable and DTH, thereby aiding faster expansion of the digital entertainment world. Enrichment of Value Added Services(VAS) basket with gaming and a host of active services, some going pay, will continue to be opportunity areas for revenue enhancement. An eventful sporting calendar with the ensuing Commonwealth games and a series of Cricketing tournaments will act as a catalyst for this category too. The recent stabilization and a revived hope for bouncing back of the economy as early as the second half of this year will facilitate faster adoption of the category. Emergence and growth of traffic at the organized retail chains like Big bazaar, Next, The mobile store, Reliance digital etc. will also add more visibility leading to better acceptance of the product.

THREATS

DTH is currently a five player market. Price cuts and reduced margins, spurred by severe competition, can pose a threat to revenue enhancement. Improved quality of services by digital cable and IPTV players are potential threats. Churn management and retention costs can negatively impact bottom-lines unless constant attention and strategy is deployed to manage and control the subscribers' base.

BUSINESS STRATEGIES

Though there has been a paradigm shift in the perception and awareness of the DTH industry in the last two years, the challenge is to maintain, grow and create a dynamic atmosphere for greater customer satisfaction and adoption of this category. The theme for the current year will be more value for money to the customers, enhanced value for the stakeholders of the Company, achieving EBITA breakeven and consolidating the number one status in the category - in terms of revenue, number of subscribers and quality of service.

The primary focus would be on the following :

Revenue Enhancement

Creation and on-going management of multiple price points, greater emphasis on up selling and cross selling of new packages through trade incentivisation and consumer promotional schemes, revenue build up using al-a-carte packs, wider offerings on Movie on Demand, increased emphasis on bandwidth revenues, adoption and usage of pay gaming and inter-active services, will be some of the key revenue drivers. Tapping of high end customers for higher ARPU in the longer run, will be initiated through our tie-ups with key chain stores, direct corporate sales, better farming of MDU (multi dwelling unit) buildings etc.

Cost Containment

Cost Rationalization will continue to be one of the main focus areas to derive better efficiency from the available resources and optimize productivity and output to derive better value for money. Various initiatives have already resulted in huge savings on account of sales & distribution cost, collection cost, various administrative cost, marketing cost etc. An optimal utilization of below the line budgets along with efficient planning of above the line budgets, has given great returns, with dishtv enjoying the best advertising to sales ratio in the category. Employee cost is contained through better manpower planning and a robust appraisal system for reward and retention. Evolution of better understanding and long term relationship with the Pay channel Broadcasters will lead to lower content cost and enrich our content offering across various schemes.

Branding

With the evolution of competition, it has become imperative to maintain a differentiated positioning and own a distinctive brand identity. Shah Rukh Khan, the No. 1 actor of Bollywood who has already added a lot of scale and stature to the brand, will continue as our brand ambassador for the next year too. The marketing strategy will be led by thematic campaigns, that set the brand for a distinct consumer connect, and increase brand salience across top of the line namely television, print, internet, out of home and radio. These will be supported by tactical moves that drive consumer value proposition and product advantage at the shop level. Greater emphasis will be placed on adoption of value added services, al-a-carte packs and various ARPU enhancement schemes.

Customer Service

Enrichment of subscriber services and experience across all touchpoints is an underlying mantra that drives all efforts by the dishtv team. A pool of 100+ dish care centers, service franchisees, dish shoppes etc. collectively act to improvise service touch points and address the customers' requirements, in the market place. Regular training is imparted to our service personnel and other service partners on a continuous basis and various steps are taken to monitor their performance and reward them accordingly. During

the year, a new call center with state of the art facilities was made fully functional to serve customers better by ensuring least waiting time and quick online resolution of their problems. This will continue to be our focus area and act as one of the key differentiators with respect to competition.

Risk Management and Internal Control

The Company is having a Risk Management policy to identify, analyse, mitigate and control various risks associated with the business environment. Some of the processes are as follows:

Risk Identification: The Risk Manager is on a continuous look out for various risks affecting the business particularly related to market dynamics, business laws, systems and processes, internal control mechanisms, governance and technology. These risks are studied in terms of their relevance and impact on the business. Once risks are identified, they are further discussed and analysed for proper mitigation.

Continuous Monitoring and Assurance : All key risks once identified are monitored and evaluated to minimize their impact and eradicate any unpredictable consequences. The effectiveness of the monitoring system is also evaluated from time to time.

We are importing most of our equipments and are exposed to foreign exchange fluctuations. We have partially hedged our forex borrowing and waiting for an opportune moment to hedge the balance forex exposure. We don't keep our position open for forex transactions.

We have also borrowed money from the banking systems and are exposed to the interest rate fluctuations which can impact our cash flow. It is continuously monitored to derive the optimum interest costs and avoid volatility over a period of time.

Talent Management

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.