



# Investor Update

## Q1 FY 18-19

*3<sup>rd</sup> August 2018*

**Den Networks Ltd.**



## Disclaimer

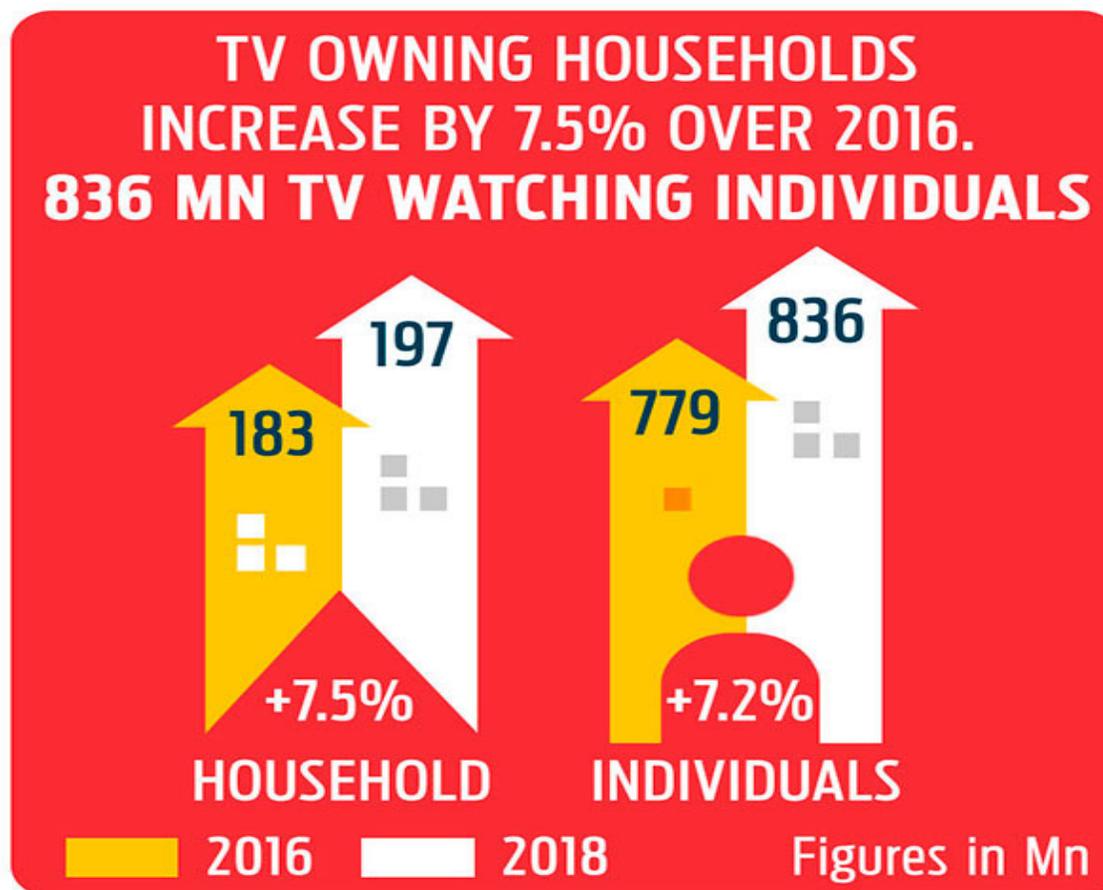


*The information in the presentation may contain “forward-looking statements” which are statements that refer to expectations and plans for the future and include, without limitation, statements regarding Den’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as “expect,” “intend,” “plan,” “believe,” “estimate,” “may,” “will,” “should” and comparable words (including the negative of such words). These forward-looking statements, reflect the current expectations and plans of the directors and management of Den, which may not materialize or may change.*

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1. Cable TV
2. Fixed Line Broadband
3. DEN – Financial Snapshot for Q1 FY 18-19

# TV Viewership continues to grow



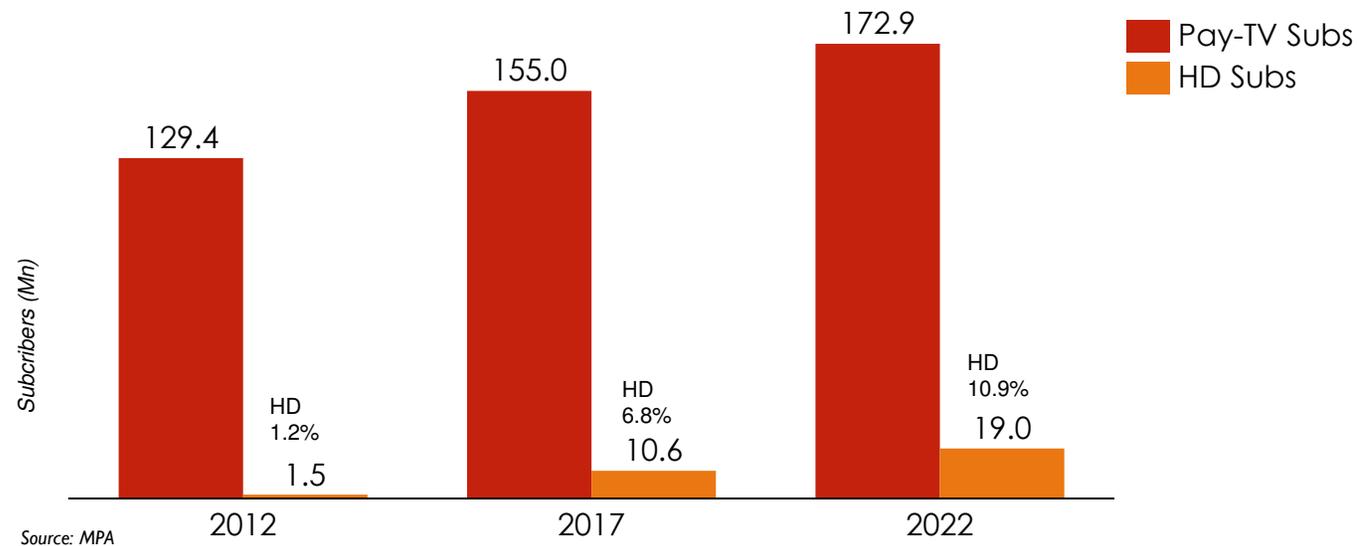
SOURCE 'BARC'S BROADCAST INDIA 2018 SURVEY'

# Cable Monetisation has just started



- Cable Monetisation has just started – 2 years phenomenon post digitisation
- ARPU's continues to grow year on year across phases – Phase 3 realisations are moving towards Phase 2 ARPU's , Phase 2 realisations inching up to align with Phase 1 while Phase 1 ARPU's continues to trend upwards.
- ARPU (including Tax) at Q1 FY19 Vs Q1 FY18
  - Phase 1 – Rs. 144 Vs 129 (Gr% 12%)
  - Phase 2 – Rs. 110 Vs 103 (Gr% 7%)
  - Phase 3 – Rs. 80 Vs 67 (Gr% 19%)
  - Phase 4 – Rs. 64 Vs 40 (Gr% 60%)

## High Definition Boxes – Additional opportunity for monetisation



- **HD Subscribers are expected to reach ~11% of the total Pay-TV subscribers by Year 2022.**
- **Pricing differential between SD and HD currently stands at ~INR 75-100 p.m. per box.**
- **Cable HD deployment has just started**

## TRAI Tariff Order – Developments

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- Madras High court had upheld the tariff order and the interconnection regulations in May'2018
- TRAI has enforced the Tariff order w.e.f 3rd July'2018, to be implemented by 30<sup>th</sup> Dec'2018
- Special Leave Petition has been filed in the Supreme court on 20th July 2018 by a broadcaster but the Hon'ble Court has refused to stay the order passed by the Madras High court - Next hearing scheduled for 28th Aug'2018
- Huge Upside Potential for the Industry as content cost should become a pass through

# DEN – New initiatives undertaken to suit customer preferences



**SD**

- Improved compression
- Increase capacity
- VAS – Music, Radio, Games



**HD**

- Pan India Reach
- Normal HD + Smart HD with Wi Fi Dongle



**DEN TV+**

OTT - TV on Mobile handsets.



**Nano GateWay**

Enabling 2<sup>nd</sup> screen using cable TV signal



**Andriod Internet Box**

Home Gate way for smart Homes



## Our Strengths



- Only wire to the home
- Very strong relationship with the LCO right from the inception of the industry (nearly ~30 years), both interdependent on each other
- Even after delays on digitization and the entry of DTH, Cable TV still caters to ~ 70% of the households.
- Great products at affordable pricing
- With Tariff order coming in, relationship to strengthen further between MSO's and LCO's

1. Cable TV

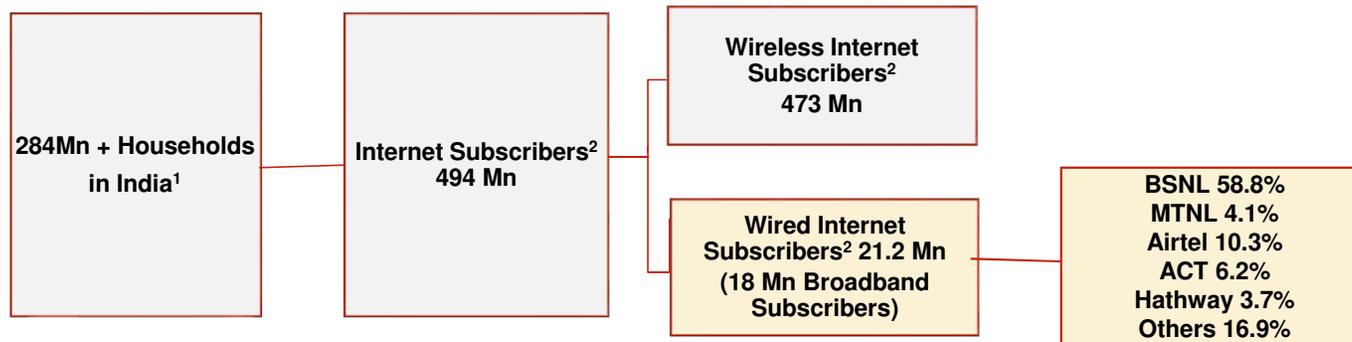
2. Fixed Line Broadband

3. DEN – Financial Snapshot for Q1 FY 18-19

# India Fixed Line Broadband (FLBB) – Opportunity



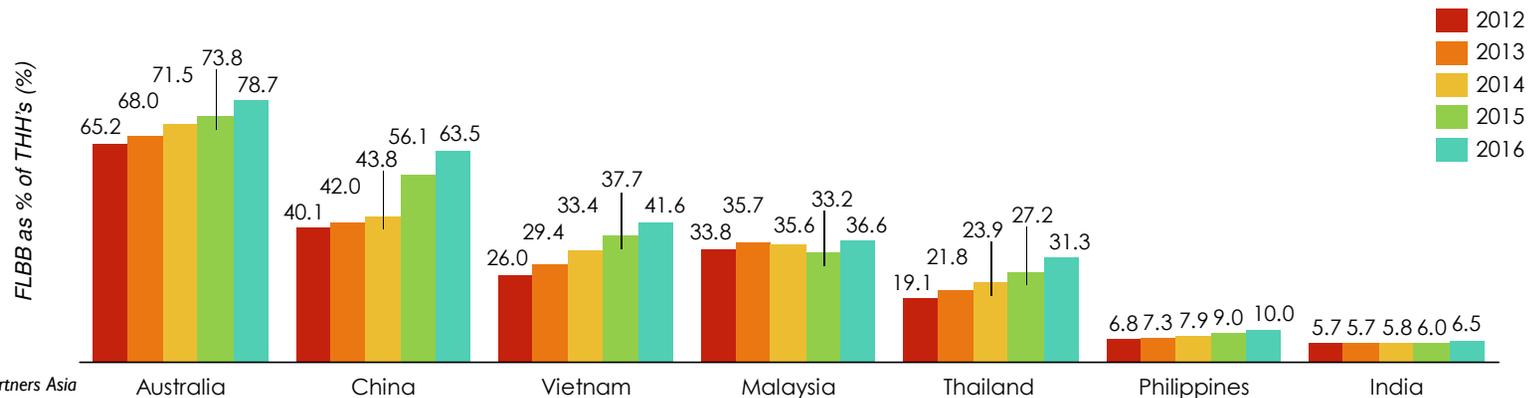
**Only 18 Mn Indian households have FLBB connection, against this CATV already has 103.5 Mn HH's connected via existing cable/fibre**



<sup>1</sup> Media Partners Asia

<sup>2</sup> TRAI Quarterly Performance Indicators Mar 2018

## India FLBB lowest among peers in APAC, almost static over the years



Source: Media Partners Asia

Source: MPA

- 15X rise y-o-y in internet data traffic in Year 2017 - video content contributed ~65% of total mobile data traffic.
- Feb-18 Global ranking – India ranks 67<sup>th</sup> for FLBB (avg. speed of ~20 Mbps) and 109<sup>th</sup> for mobile internet download speed (avg. ~9 Mbps)
- FLBB vs. wireless – depends on the user requirements.
- FLBB high speed+ consumption solutions needed for office and home as the content/applications keep becoming heavier and denser.
- India FLBB penetration is expected to increase to 10.3% by year 2022

# DEN – Fixed Line Broadband (FLBB) 100 Cities Plan



## India FLBB Opportunity

### DEN

- Existing own cable universe and tie-ups with LMO's
- Franchisee model leveraging on existing infrastructure (>80% already fibre) and resources – lower capex and operational costs
- Affordable technology – Metro Ethernet and GPON
- Centralized NOC + standardized technical solutions + customer support from DEN
- Prepaid collect model on B2C basis

### LMO

- Target existing cable subscriber base
- Optimized capital costs – to be recovered from end-customer
- Lower operational cost – synergies on account of existing resources on the ground
- Profit sharing with DEN
- Additional income opportunity from broadband on top of the existing business model

Asset lite model with synergies from existing set-up = improved returns

Scalable to 100 cities in a year's time

Quality offering at affordable pricing = Unique Value proposition for the customer

# ■ Broadband – 100 Cities Update



**# of Cities Enabled**

**28 Cities**

**# of Subscribers**

**8,424**

**Monthly ARPU**

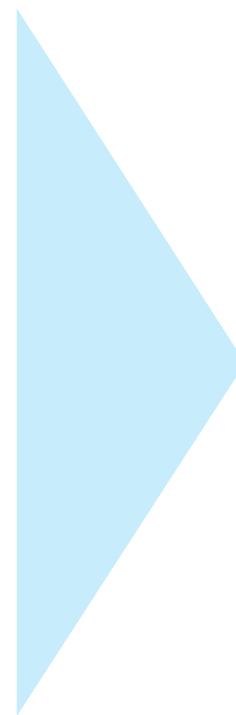
**INR 562**

**Speed Offered**

**10 - 100 Mbps**

**Average Data Consumption**

**64 GB**



1. Cable TV

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2. Fixed Line Broadband

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3. DEN – Financial Snapshot for Q1 FY 18-19

# Consolidated P&L summary



Rs in crs	Quarterly			Gr%	
	FY19 Q1	FY18 Q4	FY18 Q1	Q-o-Q	Y-o-Y
Revenue	314	316	313	-1%	0%
Content cost	150	142	131	6%	15%
% Revenue	48%	45%	42%		
Other Opex	117	115	121	2%	-3%
% Revenue	37%	36%	39%		
EBITDA	47	59	61	-21%	-24%
% Revenue	15%	19%	20%		
PBT	(24)	(21)	(5)		
PAT	(28)	(10)	(10)		

- EBITDA for FY19 Q1 at Rs 47 crs :
  - Cable profitability affected due to higher content cost which is the process of being passed on to the markets in 'FY19Q2
  - Broadband lower revenues due to drop in ARPU
- FY18 Q4 PAT loss was lower due to one time recognition of DTA (~Rs 17 crs )

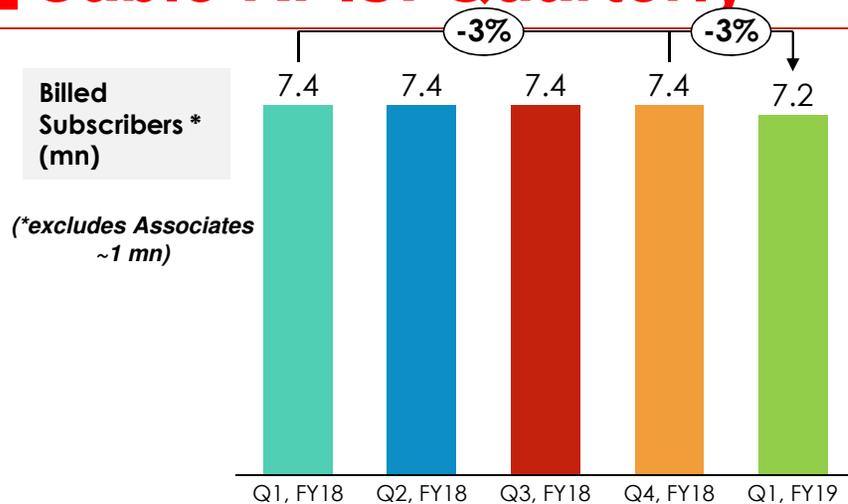
*Comparable financial figures are for continued businesses only*

## **FY19 Q1 Consolidated EBITDA (Incl. Associates) at Rs 57 cr.**

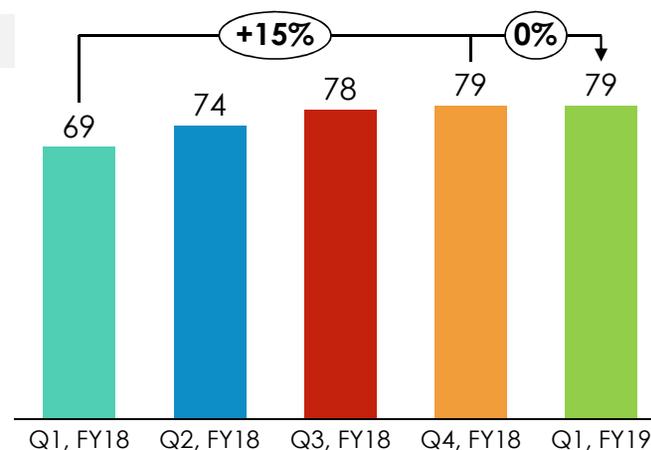
\* excl. Content cost



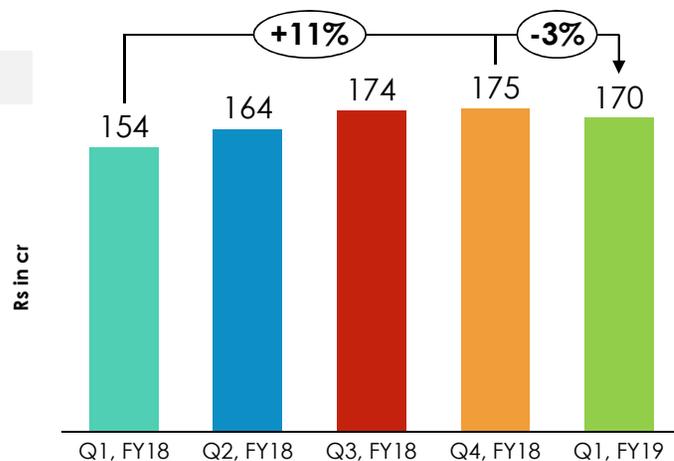
# Cable KPIs: Quarterly



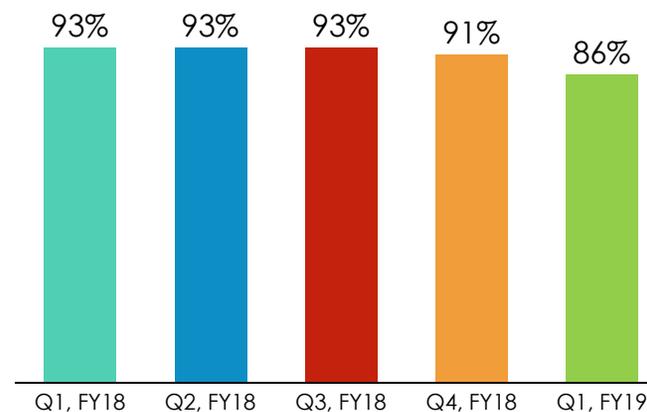
**ARPU Rs.**



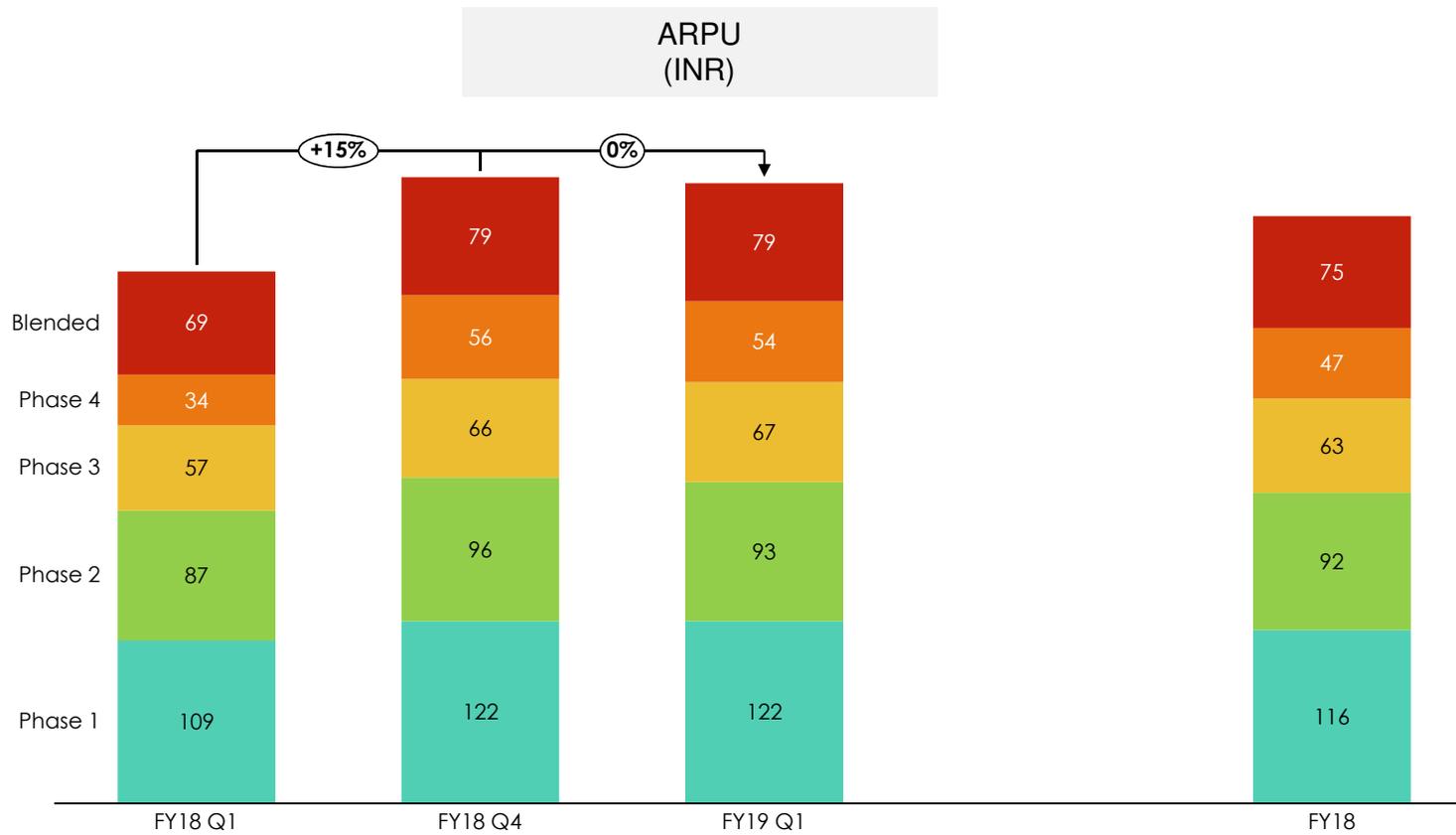
**Subs. Rev**



**Efficiency**



# Cable ARPU (Net of tax- Ind. AS)



# Cable Income Statement

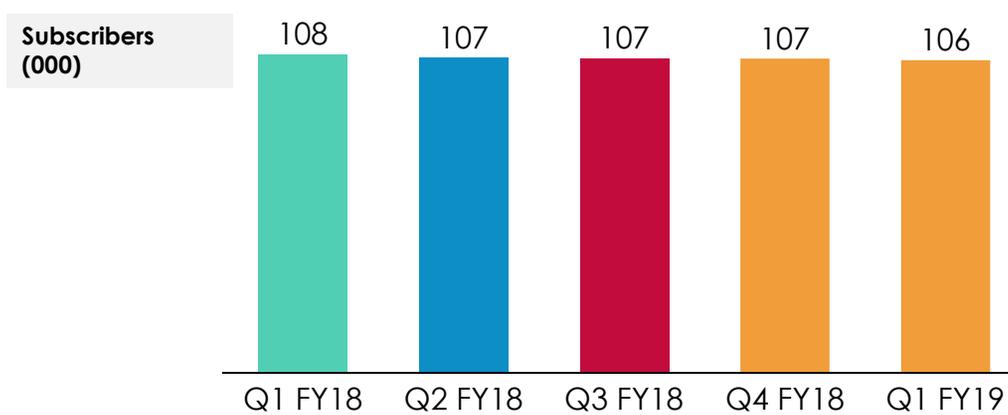
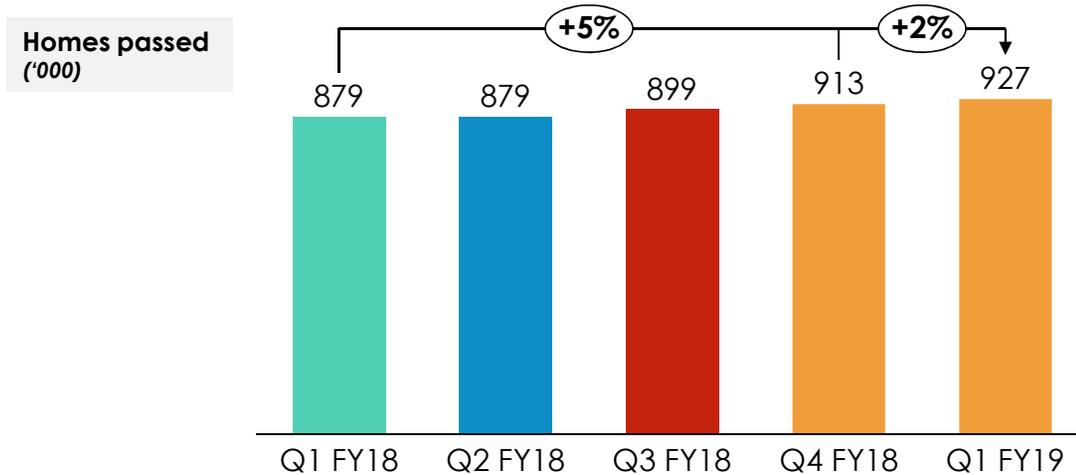
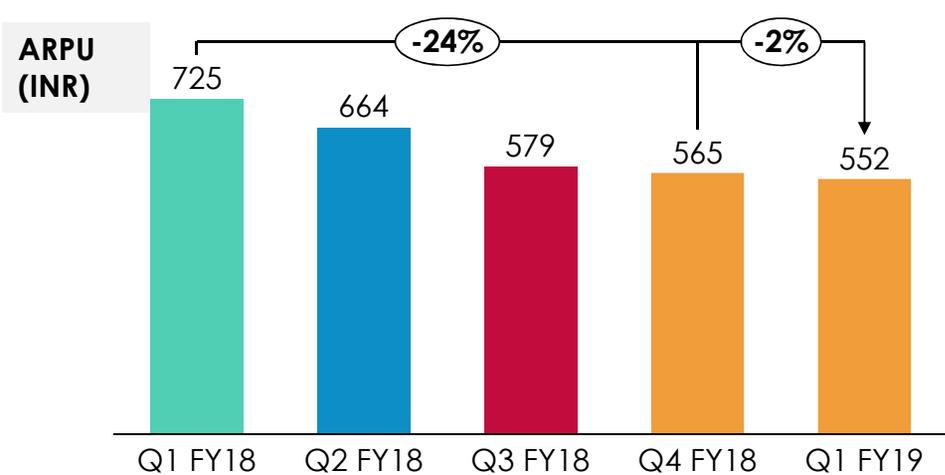


	Actuals			Growth %	
	1Q'19	4Q'18	1Q'18	Q-o-Q (Gr%)	Y-o-Y (Var%)
Subscription	170	175	154	-3%	11%
Placement	85	83	89	2%	-5%
Activation	24	24	23	2%	6%
Other Operating Income	20	18	26	12%	-24%
<b>Total Income post activation</b>	<b>299</b>	<b>299</b>	<b>291</b>	<b>0%</b>	<b>2%</b>
Content Costs	150	142	131	6%	15%
Personnel Costs	20	20	28	2%	-26%
Other Opex	70	71	66	-1%	6%
Provision for doubtful debts	10	7	6	46%	71%
<b>Total Expenditure</b>	<b>251</b>	<b>240</b>	<b>231</b>	<b>4%</b>	<b>9%</b>
<b>EBITDA Post Activation</b>	<b>48</b>	<b>59</b>	<b>61</b>	<b>-20%</b>	<b>-22%</b>
EBITDA post activation %	16%	20%	21%		
Treasury Income	9	6	8	45%	14%
Dep & Amort	56	55	54	1%	3%
Share in (loss)/ profit of associates	(1)	(4)	3		
Finance Costs	16	19	14	-16%	10%
<b>Profit Before Tax (PBT)</b>	<b>(16)</b>	<b>(13)</b>	<b>3</b>		
Provisions for Tax	3	(11)	5		
<b>PAT</b>	<b>(19)</b>	<b>(2)</b>	<b>(2)</b>		
Minority Interest	3	1	5		
<b>PAT attributable to Owners</b>	<b>(22)</b>	<b>(3)</b>	<b>(7)</b>		

Additional provision for doubtful debt created this quarter considering lower collection efficiency

**FY19 Q1 Cable EBITDA (Incl. Associates) at Rs 58 cr.**

# Broadband ARPU (net of tax) & Subscribers development



# Broadband Income statement



INR Crores					
	Actuals			Growth %	
	1Q'19	4Q'18	1Q'18	Q-o-Q (Gr%)	Y-o-Y (Var%)
<b>Total income</b>	16	17	21	-6%	-26%
Personnel Costs	3	3	3	-5%	-11%
Other Opex	13	14	17	-4%	-22%
<b>Total Expenditure</b>	17	17	20	-3%	-19%
<b>EBITDA</b>	(1)	(0)	1		
EBITDA %	-6%	-3%	4%		
<b>EBITDA (Pre Activation)</b>	(1)	(1)	1	NA	NA
EBITDA %	-6%	-4%	2%		
Dep & Amort	7	7	9	0%	-21%
Finance Costs	1	1	-	51%	0%
<b>Net Income</b>	(9)	(8)	(8)		

# Consolidated Income statement



INR Crores	Actuals			Growth %	
	1Q'19	4Q'18	1Q'18	Q-o-Q (Gr%)	Y-o-Y (Var%)
Subscription- Cable	170	175	154	-3%	11%
Subscription - Broadband	16	16	21	-5%	-26%
Placement	85	83	89	2%	-5%
Other Operating Income	20	18	26	12%	-24%
Activation	24	24	23	2%	6%
<b>Total Income Post Activation</b>	<b>314</b>	<b>316</b>	<b>313</b>	<b>-1%</b>	<b>0%</b>
Content Costs	150	142	131	6%	15%
Personnel Costs	23	23	31	1%	-25%
Other Opex	84	85	83	-2%	1%
Provision for doubtful debts	11	7	7	49%	60%
<b>Total Expenditure</b>	<b>268</b>	<b>257</b>	<b>251</b>	<b>4%</b>	<b>6%</b>
<b>EBITDA Post Activation</b>	<b>47</b>	<b>59</b>	<b>61</b>	<b>-21%</b>	<b>-24%</b>
EBITDA post activation %	15%	19%	20%		
Treasury Income	9	6	8	45%	14%
Dep & Amort	63	62	63	1%	0%
Share in (loss)/ profit of associates	(1)	(4)	3		
Finance Costs	17	19	14	-14%	15%
<b>Profit Before Tax (PBT)</b>	<b>(24)</b>	<b>(21)</b>	<b>(5)</b>	<b>NA</b>	<b>NA</b>
Provisions for Tax	3	(11)	5	NA	NA
<b>PAT</b>	<b>(28)</b>	<b>(10)</b>	<b>(10)</b>	<b>NA</b>	<b>NA</b>
Minority Interest share	3	1	5	NA	NA
<b>PAT attributable to Owners</b>	<b>(31)</b>	<b>(11)</b>	<b>(15)</b>	<b>NA</b>	<b>NA</b>

## Concerted efforts on cost continues :

- Rationalization of Manpower – lower by Rs 8 crs Y-o-Y
- Optimization of lease line expenses
- Harnessing Synergies between cable and broadband – leading to lower power and other administrative expenses
- Reduced financing cost post ICRA upgrade

## ➤ **FY19 Q1 Consolidated EBITDA** **(Incl. Associates) at Rs 57 cr.**

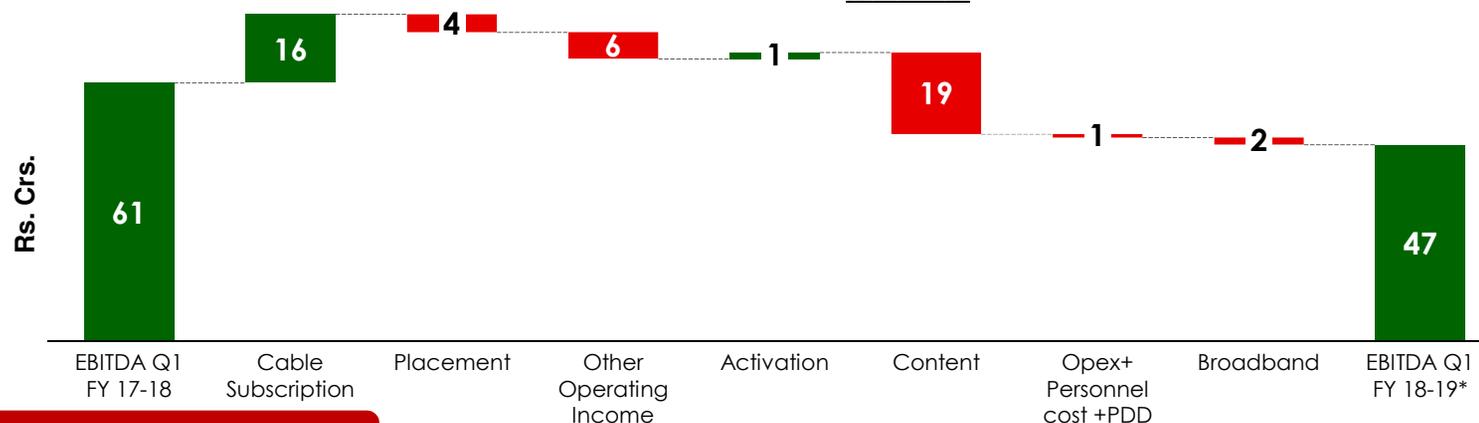
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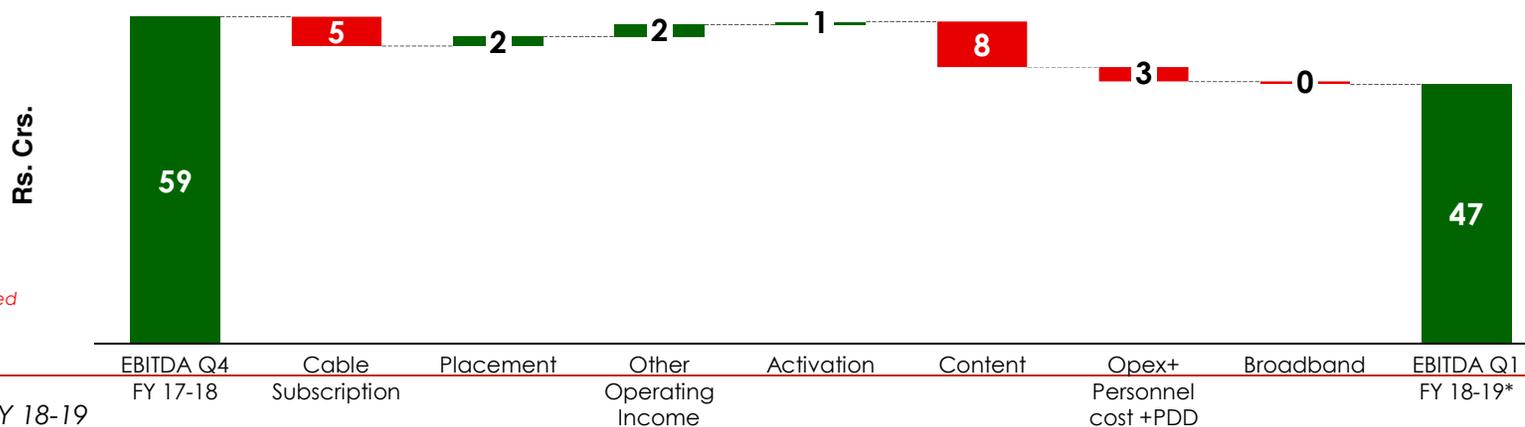
# Consolidated EBITDA Bridge

EBITDA Bridge Q1FY19 Vs Q1FY18

**\*FY19 Q1 Consolidated EBITDA (Incl. Associates) at Rs 57 cr.**



EBITDA Bridge Q1FY19 Vs Q4FY18



*Comparable financial figures are for continued businesses only*

# Abridged Consol. Balance sheet



INR Crore	Ind. AS		
	June'18	Mar'18	Mar'17
Share Capital	195	195	194
Reserves & Surplus	558	589	620
<b>Networth</b>	<b>754</b>	<b>784</b>	<b>813</b>
Minority Interest	107	104	90
Short & Long Term Debt	514	541	522
Defferred Revenue	453	472	508
Trade Payables	407	345	330
Other Liabilities	96	109	144
<b>Total Equity &amp; Liabilities</b>	<b>2,330</b>	<b>2,355</b>	<b>2,407</b>
Fixed Assets, Net	982	1,021	1,136
Capital work-in-progress	45	50	45
Goodwill on consolidation	165	165	162
<b>Fixed Assets</b>	<b>1,192</b>	<b>1,236</b>	<b>1,344</b>
Non - Current Investment	73	74	74
Trade receivables	371	302	235
Cash and Cash Equivalents*	324	384	353
Other Assets	370	359	401
<b>Total Assets</b>	<b>2,330</b>	<b>2,355</b>	<b>2,407</b>

Gearing Ratio (Net)

Net Debt to EBITDA

Gross Debt (Rs in crs)

Net Debt (Rs in crs)

Subscription Sales O/s (Days)

	June'18	Mar'18	Mar'17
Gearing Ratio (Net)	0.22	0.17	0.19
Net Debt to EBITDA	1.0	0.5	0.9
Gross Debt (Rs in crs)	514	541	522
Net Debt (Rs in crs)	190	157	169
Subscription Sales O/s (Days)	83	73	70

\*Includes Lien of Rs 127 crs



*DEN - “India’s Most  
Attractive Cable TV Brand  
– 2017”*

*Trust Research Advisory (TRA)*

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