



DEN Networks Limited

Investor Update: Q1 FY 2013-14

QUARTER FINANCIALS

I. CONSOLIDATED

1. Year on Year (Q1 FY 2013-14 vs. Q1 FY 2012-13)

- **Consolidated Revenues Up 37% Y-o-Y**

Consolidated Revenues for Q1 FY'14 were Rs 275.42 crores vs. Rs 200.60 crores in Q1 FY'13, up by 37% Y-o-Y.

- **Consolidated EBITDA Leaps 95% Y-o-Y**

Consolidated EBITDA for Q1 FY'14 was Rs 87.68 crores vs. Rs 45.06 crores in Q1 FY'13, a 95% leap Y-o-Y.

- **Consolidated PBT Jumps 77%; PAT remains strong despite mark-to-market forex losses**

Consolidated PBT in Q1 FY'14 was Rs 34.49 crores vs. Rs 19.53 crores in Q1 FY'13, a 77% jump Y-o-Y despite a 113% jump in depreciation and finance costs linked to higher imports and deployment of set top boxes.

Consolidated PAT was Rs 10.15 crores for Q1 FY'14 (which included the impact of mark-to-market forex losses of Rs 10.00 crores) vs. Rs 12.21 crores in Q1 FY'13.

2. Quarter on Quarter (Q1 FY 2013-14 vs. Q4 FY 2012-13)

- **Consolidated Revenues at Rs 275.42 crores; Remain Steady Q-o-Q**

Consolidated Revenues for Q1 FY'14 were Rs 275.42 crores vs. Rs 278.31 crores in Q4 FY'13. Revenues in Q4 FY'13 included Rs 15.10 crores on account of a one-time sale of Set Top Boxes. Excluding the impact of this sale, consolidated revenues grew by 4.6% Q-o-Q.

- **Consolidated EBITDA of Rs 87.68 crores; Up 3% Q-o-Q**

Consolidated EBITDA for Q1 FY'14 was Rs 87.68 crores vs. Rs 84.94 crores in Q4 FY'13, up 3% Q-o-Q. EBITDA Margins at 31.8% improved by 131 basis points.

- **Consolidated PBT & PAT Remain Strong**

Consolidated PBT for Q1 FY'14 was Rs 34.49 crores while Consolidated PAT for the quarter stood at Rs 10.15 crores which included the impact of mark-to-market forex losses of Rs 10.00 crores and higher depreciation and finance costs compared to Q4 FY'13.

II. CABLE BUSINESS

1. Year on Year (Q1 FY 2013-14 vs. Q1 FY 2012-13)

- **Cable Revenues Up 38% Y-o-Y**

Cable business revenues for Q1 FY'14 were Rs 262.85 crores vs. Rs 190.18 crores in Q1 FY'13, up 38% Y-o-Y.

- **Cable EBITDA Leaps 96% Y-o-Y**

Cable business EBITDA for Q1 FY'14 was Rs 85.84 crores vs. Rs 43.82 crores in Q1 FY'13, a 96% Y-o-Y jump.

- **Cable PBT Rises 78%; Cable PAT (before Mark to Market Forex Losses & ESOP Expenses) Rises 57% Y-o-Y**

Cable business PBT in Q1 FY'14 was Rs 32.77 crores vs. Rs 18.40 crores in Q1 FY'13, up 78% Y-o-Y.

Cable business PAT (before Mark to Market Forex Losses & ESOP Expenses) for Q1 FY'14 was Rs 19.22 crores vs. Rs 12.25 crores in Q1 FY'13, a 57% rise Y-o-Y.

Cable business PAT stood at Rs 9.22 crores.

2. Quarter on Quarter (Q1 FY 2013-14 vs. Q4 FY 2012-13)

- **Cable Revenues at Rs 262.85 crores, Remain Steady Q-o-Q**

Cable business revenues for Q1 FY'14 were Rs 262.85 crores vs. Rs 264.93 crores in Q4 FY'13. Revenues in Q4 FY'13 included Rs 15.10 crores on account of a one-time sale of Set Top Boxes. Excluding the impact of this sale, cable business revenues grew by 5.2% Q-o-Q.

- **Cable EBITDA Rose 7% Q-o-Q**

Strong focus on costs saw Cable business EBITDA for Q1 FY'14 at Rs 85.84 crores higher by 7% Q-o-Q vs. Rs 80.33 crores in Q4 FY'13.

- **Cable PBT & PAT Remain Strong Q-o-Q**

Cable business PBT in Q1 FY'14 was Rs 32.77 crores despite a 22% rise in depreciation and finance costs vs Rs 36.81 crores in Q4 FY'13.

Cable business PAT (before Mark to Market Forex Losses, Exceptional One-Time & ESOP Expenses) for Q1 FY'14 was Rs 19.22 crores vs. Rs 17.04 crores in Q4 FY'13, a 13% rise Q-o-Q.

Cable business PAT stood at Rs 9.22 crores in Q1 FY'14.

QUARTER HIGHLIGHTS

I. INDUSTRY UPDATES

1. DAS Implementation Update

a) Digitisation of 38 Cities in DAS Phase 2 Complete – Digital Cable Emerges as the Preferred Choice of Consumers

The unprecedented success of digitisation in Phase 1 repeated itself in Phase 2 covering 38 one million+ cities across 15 states. Rapid deployment and installation of STBs in the Phase 2 cities saw the majority of analog households converted to digital without any ordinate delays.

According to the latest data shared by the Hon'ble Minister of Information & Broadcasting with the Indian Parliament, a total of about 18 million STBs were installed in DAS Phase 2 cities. Of these 13 million were installed by Cable TV MSOs and the rest by DTH operators establishing cable as the preferred digital TV platform among consumers, repeating the trend witnessed in Phase 1 cities.

b) Move to Full Consumer Billing - Package Data Collection Deadlines for DAS Cities

The Telecom Regulatory Authority of India (TRAI) announced the deadlines for collection of package selection forms from all cable TV subscribers in DAS Phase 1 Cities of Delhi, Mumbai & Kolkata and all 38 DAS Phase 2 cities as per below:

Cities	Deadline
Delhi	Jul 25, 2013
Mumbai	Aug 2, 2013
Kolkata	Aug 23, 2013
DAS Phase 2 Cities (All)	Sep 20, 2013

The process of package data collection for Delhi is now complete and MSOs in the city are moving towards retail consumer billing (gross billing).

c) Preparations for DAS Phases 3 & 4 Commence

The MIB has already started preparations to chart out the roadmap for digitising the areas covered under Phases 3 and 4. As per current estimates a total of 75 to 77 million STBs will need to be installed in these areas. The execution roadmap is expected to be similar to what was followed in Phase 1 and 2 with large scale TV ad campaigns, joint ads by MSOs, a phased switch off of analog channels amongst other steps.

MSOs are now taking a breather from STB deployments after the conclusion of Phase 2 and focusing on consolidating their current digital base while gearing up for digitising at an even larger scale in Phases 3 & 4 whose deadlines are towards the end of calendar year 2014. The pace of STB deployments is expected to pick up again in the next few months.

2. Digitisation - Driving Transformation in the Cable Television Ecosystem

a) **The Transforming Cable TV Ecosystem Already Delivering Huge Benefits, Especially to Consumers**

The implementation of DAS is already seeing a dramatic transformation of the cable TV experience for India's consumers.

- An explosion of channels in digital from 70-80 in analog to 250-300 channels in digital.
- A superior viewing experience with consistent digital quality picture and sound, a world apart from the analog era.
- The power to choose packages and channels as per their choice and pay for only those packages and channels that they want to watch.
- New channels and ease of access and discovery through electronic programming guides, the ability to show content metadata including show timings, synopses, etc.
- Accessing contemporary, multi channel customer care facilities including call centres and online help in addition to personalised customer care through the LCO.

A fully addressable system with encrypted signals has for the first time in India created a market with no scope for underdeclaration thereby plugging the loopholes used for pilferage of subscription and content through piracy.

b) **Direct Billing To Commence - Final Step in the Transformation of the MSO-Subscriber Relationship into a B2C Model**

The MSO business is also undergoing a sea change with digitisation which is ushering in a new era of consumer focused operations. MSOs are offering tiered packages at different price points to cater to the needs of different categories of consumers. This alone is likely to be one of the biggest growth drivers for the industry, giving platforms the ability to offer more content and channels to consumers and charge for them accordingly.

With the collection of package selection data in Phase 1 and 2 cities in full swing, operators are now getting ready to start consumer-level billing cementing the change of the MSO business model from B2B to B2C.

c) **Further Consolidation and Broadband – Avenues Opening up with Digitisation**

With the successful digitisation of DAS Phases 1 & 2, the industry is now embarking on further expansion and consolidation in other markets.

Another focus area emerging following the implementation of DAS is cable broadband. With a last mile addressable presence in nearly 20 million homes in DAS Phase 1 & 2 cities, MSOs are now looking at expanding through high speed internet services to their digital subscribers.

II. COMPANY UPDATES

1. Digitisation of DEN Markets in DAS Phases 1 & 2 Complete, Focus Shifts to Consolidation, Consumer Billing

a) DEN Reaches the 5 Million Digital Subscribers mark

DEN rapidly digitised its analog subscriber base in 3 Phase 1 and 24 Phase 2 cities. Till date, DEN has deployed 5 million (approx.) STBs across its markets.

b) DEN Seeds 3 Million approx. STBs in DAS Phase 2 Cities

DEN completed the digitisation of its large subscriber base in DAS Phase 2, installing about 3 million STBs in 24 out of the 38 DAS Phase 2 cities it is present in.

c) Package Data Collection Drives Almost Complete in DAS Phase 1, Consumer Billing to Start Soon

DEN has concluded the package data collection for a vast majority of its subscribers in Delhi and Mumbai. It is on track to commence gross consumer billing of its subscriber base as per the regulatory deadlines.

2. Growth Opportunities with Digitisation

Digitisation offers tremendous growth opportunities for the company through expansion & consolidation, launch of broadband and ARPU enhancement by offering more channels and services.

a) DAS Phases 3 & 4 Opportunity

- **Digitising DEN's Existing Analog Base** - DEN's primary focus in Phases 3 & 4 will be to digitise its analog base of over 6 million homes.
- **Further Expansion and Consolidation** - DEN is also expanding its presence in Phase 3 & 4 areas through organic and inorganic routes. DEN has already begun expansion into several new towns in the states of Uttar Pradesh, Bihar and Uttarakhand.

b) Broadband

DEN intends to roll out its high speed broadband internet service and offer bundled cable TV and broadband services to consumers in markets that have been fully digitised. The existing presence in millions of subscriber homes creates a ready market for the company to push its broadband services into the home.

DEN is in the process of building an industry experienced team to spearhead the broadband operations and expects to roll out its services during the first few months of 2014.

3. DEN Tests the Local Cable Channel Opportunity with the Two New Channel Launches

DEN recently launched 2 digital cable channels – DEN Movies and DEN Classic, available to DEN subscribers in selected areas.

- **DEN Movies** - a contemporary Hindi movies channel showcasing recent and popular Bollywood movies.
- **DEN Classic** – a classic Hindi movies channel with movies from the past few decades.

DEN sees the local cable channel segment become a potential growth area along with the spread of digitisation.

Income statement – Consolidated

Year on Year – Q1 FY 2013-14 vs. Q1 FY 2012-13

Particulars	Quarter ended June 30, 2013	Quarter ended June 30, 2012
Revenue	275.42	200.60
Income from Operations	265.61	194.35
Other Operating Income	3.08	0.54
Other Income	6.73	5.71
Expenditure	187.74	155.54
Operational, Administrative and Other Costs	160.70	133.52
Personnel Cost	27.04	22.02
EBITDA	87.68	45.06
EBITDA Margins	31.8%	22.5%
Depreciation	33.22	15.56
Interest and Other Financial Charges	19.97	9.97
Profit Before Tax	34.49	19.53
Provision for Tax	3.13	4.48
Share of Minority Interest	11.20	2.02
Share in Profit of Associates	-	-
Profit After Tax (Before ESOP Expenses & Forex Losses)	20.15	13.03
ESOP Expenses	-	0.81
Foreign Exchange (Gain)/Loss	10.00	-
Profit After Tax (After ESOP Expenses & Forex Losses)	10.15	12.21

(Figures in Rs crores)

Income Statement – Consolidated

Quarter on Quarter – Q1 FY 2013-14 vs. Q4 FY 2012-13

Particulars	Quarter ended June 30, 2013	Quarter ended March 31, 2013
Revenue	275.42	278.31
Income from Operations	265.61	263.87
Other Operating Income	3.08	9.76
Other Income	6.73	4.68
Expenditure	187.74	193.37
Operational, Administrative and Other Costs	160.70	164.68
Personnel Cost	27.04	28.69
EBITDA	87.68	84.94
EBITDA Margins	31.8%	30.5%
Depreciation	33.22	27.27
Interest and Other Financial Charges	19.97	16.36
Profit Before Tax	34.49	41.31
Provision for Tax	3.13	13.67
Share of Minority Interest	11.20	8.75
Share in Profit of Associates	-	-
Profit After Tax (Before ESOP Expenses & Forex Losses)	20.15	18.89
ESOP Expenses	-	1.20
Exceptional One Time Expenses	-	3.12
Foreign Exchange (Gain)/Loss	10.00	(2.75)
Profit After Tax (After ESOP Expenses & Forex Losses)	10.15	17.33

(Figures in Rs crores)

Income Statement – Cable Business
Year on Year – Q1 FY 2013-14 vs. Q1 FY 2012-13

Particulars	Quarter ended June 30, 2013	Quarter ended June 30, 2012
Revenue	262.85	190.18
Income from Operations	253.88	184.69
Other Operating Income	2.53	0.53
Other Income	6.45	4.96
Expenditure	177.01	146.36
Operational, Administrative and Other Costs	154.33	127.94
Personnel Cost	22.68	18.42
EBITDA	85.84	43.82
EBITDA Margins	32.7%	23.0%
Depreciation	33.10	15.46
Interest and Other Financial Charges	19.97	9.97
Profit Before Tax	32.77	18.40
Provision for Tax	2.34	4.13
Share of Minority Interest	11.20	2.02
Share in Profit of Associates	-	-
Profit After Tax (Before ESOP Expenses & Forex Losses)	19.22	12.25
ESOP Expenses	-	0.81
Foreign Exchange (Gain)/Loss	10.00	-
Profit After Tax (After ESOP Expenses & Forex Losses)	9.22	11.43

(Figures in Rs crores)

Income statement – Cable Business

Quarter on Quarter – Q1 FY 2013-14 vs. Q4 FY 2012-13

Particulars	Quarter ended June 30, 2013	Quarter ended March 31, 2013
Revenue	262.85	264.93
Income from Operations	253.88	254.21
Other Operating Income	2.53	7.37
Other Income	6.45	3.36
Expenditure	177.01	184.60
Operational, Administrative and Other Costs	154.33	161.20
Personnel Cost	22.68	23.40
EBITDA	85.84	80.33
EBITDA Margins	32.7%	30.3%
Depreciation	33.10	27.14
Interest and Other Financial Charges	19.97	16.38
Profit Before Tax	32.77	36.81
Provision for Tax	2.34	11.02
Share of Minority Interest	11.20	8.75
Share in Profit of Associates	-	-
Profit After Tax (Before ESOP Expenses & Forex Losses)	19.22	17.04
ESOP Expenses	-	1.20
Exceptional One Time Expenses	-	3.12
Foreign Exchange (Gain)/Loss	10.00	(2.75)
Profit After Tax (After ESOP Expenses & Forex Losses)	9.22	15.48

(Figures in Rs crores)