



DEN Networks Limited

Investor Update: Q2 FY 2014-15

FACT SHEET

I. FINANCIALS

Rs.in crores

Particulars	Cable	BB	Soccer	Distributi on Business	Total
Revenue from Operations	Rs. 287 cr	Rs. 1 cr	-	Rs. 4 cr	Rs. 292 cr
• Subscription	Rs. 147 cr	Rs. 1 cr	-	-	Rs. 148 cr
• Placement	Rs. 118 cr	-	-	Rs. 2 cr	Rs. 120 cr
• Digital Activation revenues	Rs. 17 cr	-	-	-	Rs. 17 cr
• Other operating revenues	Rs. 5 cr	-	-	Rs. 2 cr	Rs. 7 cr
EBITDA (Before Other Income)	Rs. 54 cr	Rs. (10)cr	Rs. (5)cr	Rs. 2 cr	Rs. 41 cr
Other Income	Rs. 22 cr	-	-	Rs. 1cr	Rs. 23 cr
EBITDA (After Other Income)	Rs. 76 cr	Rs. (10)cr	Rs. (5)cr	Rs. 2cr	Rs. 63 cr
Profit Before Tax	Rs. 11 cr	Rs. (11) cr	Rs. (5)cr	Rs. 2cr	Rs. (3) cr

II. SET TOP BOXES DEPLOYED: Current Qtr 220K STBs

III. LOAN FUNDS & LIQUIDITY (Consolidated excluding Distribution Business):

- **Gross Secured Debt:** Rs 1,005 crores
- **Total Cash & Cash Equivalents:** Rs. 1,005 crores
- **Net Debt:** Debt Free

IV. CONSOLIDATED NET WORTH (excluding Distribution Business): Rs 1,794.7 crores

QUARTER FINANCIALS

I. CABLE BUSINESS

1. Quarter on Quarter (Q2 FY 2014-15 vs. Q1 FY 2014-15)

- **Operational Revenues remain steady at Rs 286.58 crores Q-o-Q; Operational Revenues (excluding Activation Revenue) grew by 1.8% Q-o-Q**

Operational revenues for Q2 FY'15 were Rs 286.58 crores vs. Rs 285.02 crores in Q1 FY'15. Operational revenue (excluding Activation Revenue) for Q2 FY'15 was Rs 270.05 crores vs. Rs 265.17 crores in Q1 FY'15.

- **Operational EBITDA (before Activation & Other Income) at Rs.37.64 crores; decline of Rs.11.78 crores Q-o-Q primarily due to Debtors provisioning;**

Operational EBITDA (before Activation & Other Income) for Q2 FY'15 stood at Rs 37.64 crores vs. Rs 49.42 crores in Q1 FY'15. Decline of approx. Rs.11.78 crores is mainly due to higher Provisioning for doubtful debts/advances in some analog markets and in some of the DAS markets where the business model changed from Digital Partnership to Distributor model.

2. Year on Year (Q2 FY 2014-15 vs. Q2 FY 2013-14)

- **Operational Revenues up 11% at Rs 287 crores; Subscription revenues grow by 49.2%**

Operational revenues for Q2 FY'15 were Rs 286.58 crores vs. Rs 258.06 crores in Q2 FY'14, up by Rs. 28.52 crores (11.0%) despite a decline of Rs.13.07 crores in Activation Revenue in Q2, FY15. The Subscription revenues grew by Rs. 48.4 crores (49.2%) Y-o-Y.

- **Operational EBITDA (before Activation & Other Income) at Rs.37.64 crores, down by Rs.18.32 crores;**

Operational EBITDA (before Activation & Other Income) for Q2 FY'15 stood at Rs 37.64 crores vs. Rs 55.96 crores in Q2 FY'14. The decline of Rs.18.32 crores is on account of increase in Content Cost, higher Provisioning for doubtful debts/advances and increase in Operational and Other Administrative Costs being incurred for expanding reach in DAS Phase-3 areas, which will yield revenues post digitization.

II. CONSOLIDATED

1. Quarter on Quarter (Q2 FY 2014-15 vs. Q1 FY 2014-15)

- **Operational Revenues (excl. Activation Revenue) at Rs 274.83 crores remain steady Q-o-Q;**

Operational Revenues for Q2 FY'15 were Rs 275.19 crores vs. Rs 278.96 crores in Q1 FY'15 marginally lower by 1.4% (Rs.3.77 crores) due to discontinuation of Media-Pro/ Star Den (Rs.9.03 crores) which was partially offset by slight increase in Subscription & Other Revenues of Rs.4.52 crores.

- **Operational EBITDA (before Activation & Other Income) for Q2 FY'15 at Rs 24.41 crores ;**

EBITDA (before Activation & Other Income) for Q2 FY'15 was Rs 24.41 crores vs. Rs 37.31 crores in Q1 FY'15, Q-o-Q. The decline of Rs.12.91 crores Q-o-Q is primarily due to lower Cable EBITDA (Rs.11.78 crores) and loss in Broadband & Soccer. Lower Cable EBITDA was attributable to higher Content Cost and Provisioning for Doubtful Debts.

2. Year on Year (Q2 FY 2014-15 vs. Q2 FY 2013-14)

- **Operational Revenues (excluding Activation Revenue) grew by 13.4% Y-o-Y; Overall Operational Revenues grows 7.3% Y-o-Y at Rs 291.72 cr Y-o-Y; Subscription revenues grew by Rs. 39.13 crores (35.87%) Y-o-Y.**

Operational Revenues for Q2 FY'15 were Rs 291.72 crores vs. Rs 271.88 crores in Q2 FY'14, up by Rs. 19.84 crores (7.3%) despite a decline of Rs.13.07 crores in Activation Revenue and discontinuation of Media-Pro/ Star Den (Rs.9.25 crores).

- **Operational EBITDA (before Activation & Other Income) at Rs.24.41 crores; non-comparable on Y-o-Y basis due to launch of new businesses i.e Broadband & Soccer**

EBITDA (before Activation & Other Income) for Q2 FY'15 was Rs 24.41 crores vs. Rs 58.10 crores in Q2 FY'14, Y-o-Y. The decline of Rs.33.69 crores Y-o-Y comprises largely of losses on account of launch of Broadband & Soccer (Rs.14.25 crores), lower Cable EBITDA because of higher content & other costs and discontinuation of Media-Pro/ Star Den.

QUARTER HIGHLIGHTS

I. INDUSTRY UPDATES

a) RIO Implementation – A step in direction of billing, packaging and better ARPUs

The Telecom Disputes Settlement and Appellate Tribunal (TDSAT) had directed all multi-system operators (MSOs) in digital addressable system (DAS) areas to sign RIO (Reference Interconnect Offer) with Star India with effect from 10 November. All the leading national multi-system operators (MSOs) have agreed to sign the RIO agreement and put seven Star India channels in their basic pack, Sports Channels in mid pack and English Channels in Top pack.

The RIO pricing is expected to increase the package prices because of differentiated content packages offered by Broadcasters. It is expected to be the key driver for transforming the business from B2B to B2C. It is also expected to enable the MSOs to enhance the ARPUs since the pricing is moving towards being governed by the Consumer based on what he chooses to view.

b) Road to Phase 3: Steady steps by the Government for immediate Implementation

Preparing the ground for kick-starting Phase III of digital addressable system (DAS), the Ministry of Information & Broadcasting (MIB), under its new leadership of Mr.Arun Jaitley, has announced unwavering intent for completion of Digitization:

- **Completion of Phase 3 as current deadline:** the MIB has announced completion of Phase 3 of digitization as per announced timeline of December, 2015. For the purpose, it would undertake its awareness campaign w.e.f 1st April'15 i.e 9 months in advance to ensure that the sunset date remains sacrosanct.

It may be noted that the earlier date of 31st Dec'14 was already discounted by the industry for a 6 month delay due to the huge area under implementation and thus the new date is only a 6 month deferral making it much more realistic and achievable.

- **Registration for Phase 3 to close by December, 2014:** The MIB has asked MSOs who are interested in providing services in the Phase 3 areas to apply for registration latest by 21 December, 2014. The Ministry is planning to do away with the system of granting provisional licences for Phases 3 & 4 and intends to grant only permanent licences to MSOs so that only the serious players enter the market.

c) TRAI Open House discussion on speeding up broadband growth

Concerned with the slow pace of growth in broadband connectivity, the TRAI had released a consultation paper (CP) on 'Delivering Broadband Quickly: What do we need to do?'. This was followed by an Open House Discussion (OHD). The objective of the session was to collect inputs from stakeholders and eventually come out with policies that would speed up growth of broadband in India. Some of the issues raised in the OHD were:

- Broadband companies be treated as an Infrastructure company and not as a service company
- Right of way while laying infrastructure
- Re-look at the license fees

d) Formation of All India Digital Cable Federation (AIDCF)

The newly formed federation has been mandated with working towards the overall growth of this sector and create a healthy business environment for all stakeholders. As the official voice of the Indian digital cable TV industry, the AIDCF will interact with ministries, policy-makers, regulators, financial institutions and technical bodies. It will also provide a platform for discussion and exchange of ideas between these bodies and the service providers who share a common interest in the development of digital cable TV in the country.

II. COMPANY UPDATES

1. DEN Snapdeal JV –

DEN has signed an MOU to enter into a 50:50 JV with Snapdeal.com's parent company Jasper Infotech. The JV has launched a TV channel based on a marketplace model for facilitating the sale of branded and unbranded merchandise and services, including vouchers offered by third-party sellers.

The channel has been received extremely well by the viewers. Within the first month itself, the company has clocked an annualised Gross Merchandise Value (GMV) in excess of Rs.80cr based on the annualised latest daily run rate and is expected to scale significantly as the channel gets distributed across networks.

2. DEN Boomband –

The Prime minister in his Independence Day speech announced his vision of Digital India. In essence Digital India vision identifies a need to connect every citizen with high-speed Internet and delivery of services through broadband. Digital India will act as an umbrella plan to integrate and synchronize all digital initiatives including the national broadband plan and the domestic manufacturing policy.

With the launch of its high speed internet service – 'DEN Boomband', the company is fully aligned and well poised to ride the Digital India wave. 'DEN Boomband' offers download speeds of upto 100 Mbps on DOCSIS 3.0 technology and is currently being offered at 20 locations in Delhi NCR.

The service has achieved a subscriber base of 9,600 at an average ARPU of Rs. 740 per month by leveraging on the Cable business infrastructure and capabilities of outsourced managed service partners. The Company is finalising its marketing plan and setting-up different sales channels including local cable operators, direct sales agents, independent lead agents, modern retail stores, device manufacturers and e-commerce portals.

Global leading business partners including CISCO for technology solution, WIPRO for subscriber management system, Dentsu Creative Impact for brand creation are on-board.

3. Phase 3 & 4 Opportunity:

The company added 220K STBs in Q2 FY'15 taking the **total STBs deployed to approx. 6.6 million**. DEN's current digital subscriber base in Phase 1 & 2 is approx. 5 million. Digital subscribers are expected to increase significantly with acceleration in Phase 3 & Phase 4 digitization.

Income Statement – Consolidated

Q2 FY 2014-15

(Figures in Rs crores)

Particulars	Cable	BB	Soccer	Distribution	Total
Revenue	286.6	1.4	-	3.7	291.7
Income from Operations	285.6	1.4	-	2.0	289.1
Other Operating Income	0.9	0.0	-	1.7	2.6
Expenditure	232.4	11.7	4.5	2.2	250.8
Operational, Administrative and Other Costs	211.4	8.2	4.4	1.0	224.9
Personnel Cost	21.0	3.5	0.1	1.2	25.8
EBITDA Before Other Income	54.2	(10.2)	(4.5)	1.5	40.9
EBITDA Before Other Income Margins %	18.9%			41.2%	14.0%
Other Income	22.0	-	-	0.5	22.5
EBITDA After Other Income	76.2	(10.2)	(4.5)	2.0	63.4
Depreciation	46.5	0.5	0.0	0.0	47.0
Interest and Other Financial Charges	19.0	0.4	0.1	-	19.5
Profit Before Tax	10.7	(11.1)	(4.6)	2.0	(3.1)
Provision for Tax	6.5	-	-	0.4	6.9
Share of Minority Interest	7.2	-	-	-	7.2
Profit After Tax (Before Exceptional One Time Expenses)	(3.0)	(11.1)	(4.6)	1.5	(17.2)
Exceptional One Time Expenses	3.2	-	-	-	3.2
Profit After Tax (After Exceptional One Time Expenses)	(6.3)	(11.1)	(4.6)	1.5	(20.4)

Income Statement – Cable Business

Quarter on Quarter – Q2 FY 2014-15 vs. Q1 FY 2014-15

(Figures in Rs crores)

Particulars	Q2 FY'15	Q1 FY'15
Revenue	286.6	285.0
Income from Operations	285.6	284.6
Other Operating Income	0.9	0.4
Expenditure	232.4	215.7
Operational, Administrative and Other Costs	211.4	195.2
Personnel Cost	21.0	20.5
EBITDA Before Other Income	54.2	69.3
EBITDA Before Other Income Margins %	18.9%	24.3%
Other Income	22.0	18.0
EBITDA After Other Income	76.2	87.3
Depreciation	46.5	43.1
Interest and Other Financial Charges	19.0	19.6
Profit Before Tax	10.7	24.6
Provision for Tax	6.5	4.2
Share of Minority Interest	7.2	7.3
Profit After Tax (Before Exceptional One Time Expenses)	(3.0)	13.1
Exceptional One Time Expenses		
Foreign Exchange (Gain)/Loss	3.2	-
Profit After Tax (After Exceptional One Time Expenses)	(6.3)	13.1

** Operational EBITDA (before Activation & Other Income) for Q2 FY'15 at Rs.37.64 crores declined by approx. Rs.11.78 crores mainly due to increase in Provision for doubtful debts/advances which is higher in Q2'FY15 vs last quarter; This was on account of prudent provisioning of debtors in some analog markets and in Karnataka where the business model changed from Digital Partnership to Distributor model.*

Income Statement – Cable Business

Year on Year – Q2 FY 2014-15 vs. Q2 FY 2013-14

(Figures in Rs crores)

Particulars	Q2 FY'15	Q2 FY'14
Revenue	286.6	258.1
Income from Operations	285.6	253.5
Other Operating Income	0.9	4.6
Expenditure	232.4	172.5
Operational, Administrative and Other Costs	211.4	152.3
Personnel Cost	21.0	20.2
EBITDA Before Other Income	54.2	85.6
EBITDA Before Other Income Margins %	18.9%	33.2%
Other Income	22.0	4.4
EBITDA After Other Income	76.2	89.9
Depreciation	46.5	36.9
Interest and Other Financial Charges	19.0	21.5
Profit Before Tax	10.7	31.5
Provision for Tax	6.5	4.0
Share of Minority Interest	7.2	11.3
Profit After Tax (Before Exceptional One Time Expenses)	(3.0)	16.1
Exceptional One Time Expenses	-	-
Foreign Exchange (Gain)/Loss	3.2	6.0
Profit After Tax (After Exceptional One Time Expenses)	(6.3)	10.2

* Operational revenues (before Activation & Other Income) for Q2 FY'15 were up by Rs. 41.23 crores (18%). The Subscription revenues grew by Rs. 48.4 crores (49.2%) Y-o-Y.

* Operational EBITDA (before Activation & Other Income) for Q2 FY'15 at Rs.37.65 crores declined by Rs.18.32 crores on account of increase in Content Cost, higher Provisioning for doubtful debts and increase in Operational and Other Administrative Costs being incurred for expanding reach in Phase-3 areas, which will yield revenues post digitization.

Income Statement – Consolidated

(Cable + Broadband + Soccer + Distribution Business)

Quarter on Quarter – Q2 FY 2014-15 vs. Q1 FY 2014-15

(Figures in Rs crores)

Particulars	Q2 FY'15	Q1 FY'15
Revenue	291.7	298.8
Income from Operations	289.1	298.4
Other Operating Income	2.6	0.4
Expenditure	250.8	241.6
Operational, Administrative and Other Costs	224.9	213.2
Personnel Cost	25.8	28.5
EBITDA Before Other Income	40.9	57.2
EBITDA Before Other Income Margins %	14.0%	19.1%
Other Income	22.5	18.6
EBITDA After Other Income	63.4	75.8
Depreciation	47.0	43.3
Interest and Other Financial Charges	19.5	19.8
Profit Before Tax	(3.1)	12.7
Provision for Tax	6.9	4.3
Share of Minority Interest	7.2	7.3
Profit After Tax (Before Exceptional One Time Expenses)	(17.2)	1.1
Exceptional One Time Expenses	-	-
Foreign Exchange (Gain)/Loss	3.2	-
Profit After Tax (After Exceptional One Time Expenses)	(20.4)	1.1

* EBITDA (before Activation & Other Income) for Q2 FY'15 at Rs.24.41 crores declined by Rs.12.91 crores primarily due to lower Cable EBITDA and loss in Broadband & Soccer. Lower Cable EBITDA was attributable to higher Content Cost and Provisioning for Doubtful Debts.

Income Statement – Consolidated

(Cable + Broadband + Soccer + Distribution Business)

Year on Year – Q2 FY 2014-15 vs. Q2 FY 2013-14

(Figures in Rs crores)

Particulars	Q2 FY'15	Q2 FY'14
Revenue	291.7	271.9
Income from Operations	289.1	266.3
Other Operating Income	2.6	5.6
Expenditure	250.8	184.2
Operational, Administrative and Other Costs	224.9	159.2
Personnel Cost	25.8	25.0
EBITDA Before Other Income	40.9	87.7
EBITDA Before Other Income Margins %	14.0%	32.3%
Other Income	22.5	4.7
EBITDA After Other Income	63.4	92.4
Depreciation	47.0	37.0
Interest and Other Financial Charges	19.5	21.5
Profit Before Tax	(3.1)	33.8
Provision for Tax	6.9	5.4
Share of Minority Interest	7.2	11.3
Profit After Tax (Before Exceptional One Time Expenses)	(17.2)	17.1
Exceptional One Time Expenses	-	-
Foreign Exchange (Gain)/Loss	3.2	6.0
Profit After Tax (After Exceptional One Time Expenses)	(20.4)	11.2

* Operational Revenues (before Activation & Other Income) for Q2 FY'15 were up by Rs. 32.55 crores (13.4%) despite impact of discontinuation of Media-Pro/ Star Den (Rs.9.25 crores).

* Operational EBITDA (before Activation & Other Income) for Q2 FY'15 declined by Rs.33.69 crores on account of launch of Broadband & Soccer (Rs.14.25 crores), higher content & other costs and discontinuation of Media-Pro/ Star Den.