



DEN Networks Limited

Investor Update: Q3 FY 2014-15

QUARTER HIGHLIGHTS

- **Robust Cable Fundamentals**

- Subscription Revenues¹ grow 18% Y-o-Y from INR 97 Cr to INR 116 Cr
- Average Billing per Subscriber (per month) increased by 23% Y-o-Y in DAS areas
- Net Cash Realization per subscriber per month crosses INR 100 in DAS I areas in Q3 FY'15 from INR 90 Q2 FY'15;
- Cable Business Operating margins maintained at 19% Q-o-Q
- Placement Revenues at INR 115cr in Q3 FY'15; declines marginally by 1.9% Y-o-Y
- Content cost at INR 110cr in Q3 FY'15, maintained Q-o-Q; long term deals closed with all major broadcasters
- 197 K STBs deployed in Q3 FY 15; Total STBs deployed 6.8 mn

- **Broadband Business Soft-launched**

- Achieves Cumulative Homes Passed of over 250k
- Approx. 17,500 Subscribers at weighted average ARPU of INR 750 per month

- **DEN-Snapdeal JV's TV Commerce** business clocks annualised GMV of INR 100 Cr with double digit contribution margins

- Healthy **Balance Sheet** Position

✓ Gross Debt	: INR 1,001 Cr
✓ Cash & Cash Equivalents	: INR 957 Cr
✓ Net Worth	: INR 1,732 Cr

¹ Revenues Net of LCO Share

I. COMPANY UPDATES

I. Cable TV

Cable TV continues to transform from a placement driven B2B business to a subscription driven B2C business. Operational Revenues for Q3 FY 15 were INR 256.6 Cr with Subscription Revenue at INR 115.7 Cr, Placement Revenue at INR 115.6 Cr, Digital Set Top Box activation revenue at INR 15 Cr and Other Operating Income at INR 10.4 Cr.

On a like to like basis, subscription revenue² grew 18% Y-o-Y from INR 97 Cr to INR 116 Cr reflecting robust fundamentals. DAS 1 markets have crossed INR 100 per box in net realizations/collections. Collections in DAS 2 markets have shown sharp increase from INR 55 per box in Q3 FY'14 to INR 70 per box in Q3 FY'15.

The increase in subscription revenue is a result of Average Billing per customer per month increasing 23% Y-o-Y from INR 71 to INR 87 in DAS markets. The improvement in Billing and Cash realization across markets provides management confidence of a sound underlying business

The Operating Margin for Q3 FY'15 was maintained at 19% Q-o-Q resulting in an EBITDA of INR 49.3 Cr.

197,000 Digital Set Top Boxes were deployed in Q3 FY15 taking the total deployed STBs to 6.8 million. Over the next Quarters, Digital Subscribers for DEN in Phase 3 & 4 markets will witness a significant increase.

Placement Revenues were INR 115cr in Q3 FY'15 vs INR 118 Cr in year ago period, declining marginally by 1.9% Y-o-Y.

Cable Business Revenue Breakup	Revenue (INR Cr)	% of Total Revenues
Placement	115.6	45%
Digital Activation	15.0	6%
Subscription ⁽²⁾	115.7	45%
Other Operating Income	10.5	4%
Operating Revenues	256.6	100%

2. High Speed Broadband

The soft-launch of Broadband services in Q3 2015 provided confidence that DEN has a compelling product proposition in High Speed Broadband (>5 MBps). Product features and plans received positive customer feedback with around two third of customers who experienced the offering signing up as customers within a week.

Momentum for Broadband under the Den BOOMBAND brand is picking up. Even with the soft launch, there are a number of micro-markets where sales conversion is between 7-10% within six months of

² Revenues Net of LCO Share

availability at consistent ARPU of INR 750 per month. Interest for higher speeds of 25 MBPS or more is also picking up. Our focus continues to be to scale up roll-out of BB network, developing the brand and building a multi-channel sales approach.

3. TV Commerce (DEN-Snapdeal JV)

DEN-Snapdeal is a 50:50 JV between DEN and Snapdeal.com aimed at selling merchandise on the back of Video content distributed across several networks. DEN brings in its huge video distribution reach and Snapdeal its rich merchandise and consumer insight from the world of ecommerce. The proposition is well liked by customers and the JV has gained traction in Q3 FY15. The market place based model has reached 19 mn homes clocking Gross Merchandise Value (GMV) of INR 100 Cr with double digit contribution margins. Apart from a dedicated 24 hour channel on DEN Network, the channel is currently aired on Food Food, NDTV and other large MSO platforms. It is expected to scale significantly as the distribution footprint increases across other networks.

4. Delhi Dynamos Football Club

The inaugural season of the Indian Super League (ISL) generated huge audience interest with overall season viewership reaching 429 million. The ISL also became Asia's No.1 League and the world's No. 4 League by stadium attendance attracting an average of 26,000+ spectators every match.

Delhi Dynamos FC, owned by DEN Soccer Pvt. Ltd., a wholly owned subsidiary of DEN, was one of the most popular teams of the ISL with a fan base of over 425,000 (based on Facebook likes) and over 29,000 Twitter followers.

Revenues for DEN Soccer were lower than anticipated as sponsors chose to wait and watch the extent of the ISL's popularity before committing larger ad spends.

II. INDUSTRY UPDATES

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

The Telecom Disputes Settlement and Appellate Tribunal (TDSAT) has directed all multi-system operators (MSOs) in digital addressable system (DAS) areas to put Star India channels on RIO (Reference Interconnect Offer) with effect from 10 November.



b) Phase 3 Implementation: Govt. incentivising MSOs to bring the addressability in NON DAS area before the Sunset date

TRAI recommended that the tariff order applicable for addressable systems will apply for Cable TV operators who are implementing DAS before the cut-off dates notified by the government provided that these service providers get registered and establish digital addressable cable TV system. This will give **incremental ARPUs to the MSO's** before cut of date as compared to earlier situation and can be the instrumental in implementing the DAS well in timelines.

Income Statement – Consolidated

Q3 FY 2014-15

(Figures in INR Cr)

Particulars	Cable	Broadband	Soccer	Distribution	TV Commerce	Total
Revenue	256.6	2.2	8.1	1.3	0.6	268.8
<i>Income from Operations</i>	252.3	2.2	7.3	1.2	0.6	263.6
<i>Other Operating Income</i>	4.4	0.0	0.7	0.1	-	5.2
Expenditure	207.3	13.6	43.3	1.9	2.4	268.5
<i>Operational, Administrative and Other Costs</i>	185.5	10.6	43.2	0.9	2.0	242.2
<i>Personnel Cost</i>	21.8	3.0	0.1	1.0	0.3	26.3
EBITDA Before Other Income	49.3	(11.4)	(35.2)	(0.6)	(1.8)	0.3
<i>Other Income</i>	23.5	-	0.0	0.4	-	23.8
EBITDA After Other Income	72.8	(11.4)	(35.2)	(0.2)	(1.8)	24.1
<i>Depreciation</i>	47.3	0.9	0.0	0.0	-	48.2
<i>Interest and Other Financial Charges</i>	18.1	0.6	0.9	0.0	0.0	19.6
Profit Before Tax	7.5	(13.0)	(36.1)	(0.2)	(1.8)	(43.7)
<i>Provision for Tax</i>	8.5	-	-	(0.3)	-	8.2
<i>Share of Minority Interest</i>	6.9	-	-	-	-	6.9
Profit After Tax (Before Exceptional One Time Expenses)	(8.0)	(13.0)	(36.1)	0.1	(1.8)	(58.8)
<i>Exceptional One Time Expenses</i>	3.8	-	-	-	-	3.8
Profit After Tax (After Exceptional One Time Expenses)	(11.8)	(13.0)	(36.1)	0.1	(1.8)	(62.6)

Income Statement – Cable Business

Year on Year – Q3 FY'15 vs. Q3 FY'14

(Figures in INR Cr)

Particulars	Q3 FY'15	Q3 FY'14
Revenue	256.6	257.5
Income from Operations	252.3	254.6
Other Operating Income	4.4	2.9
Expenditure	207.3	185.7
Operational, Administrative and Other Costs	185.5	162.9
Personnel Cost	21.8	22.8
EBITDA Before Other Income	49.3	71.8
EBITDA Before Other Income Margins %	19.2%	27.9%
Other Income	23.5	22.6
EBITDA After Other Income	72.8	94.4
Depreciation	47.3	36.5
Interest and Other Financial Charges	18.1	24.4
Profit Before Tax	7.5	33.5
Provision for Tax	8.5	6.8
Share of Minority Interest	6.9	9.1
Profit After Tax (Before Exceptional One Time Expenses)	(8.0)	17.6
Exceptional One Time Expenses	-	9.3
Foreign Exchange (Gain)/Loss	3.8	-
Profit After Tax (After Exceptional One Time Expenses)	(11.8)	8.4

* Revenues net of LCO share for Q3 FY'15 and Q3 FY'14 are INR 256.6 Cr and INR 250.8 Cr respectively. Such netting off is EBITDA neutral.

Income Statement – Cable Business

Quarter on Quarter – Q3 FY'15 vs. Q2 FY'15

(Figures in INR Cr)

Particulars	Q3 FY'15	Q2 FY'15
Revenue	256.6	286.6
<i>Income from Operations</i>	252.3	285.6
<i>Other Operating Income</i>	4.4	0.9
Expenditure	207.3	232.4
<i>Operational, Administrative and Other Costs</i>	185.5	211.4
<i>Personnel Cost</i>	21.8	21.0
EBITDA Before Other Income	49.3	54.2
<i>EBITDA Before Other Income Margins %</i>	19.2%	18.9%
<i>Other Income</i>	23.5	22.0
EBITDA After Other Income	72.8	76.2
<i>Depreciation</i>	47.3	46.5
<i>Interest and Other Financial Charges</i>	18.1	19.0
Profit Before Tax	7.5	10.7
<i>Provision for Tax</i>	8.5	6.5
<i>Share of Minority Interest</i>	6.9	7.2
Profit After Tax (Before Exceptional One Time Expenses)	(8.0)	(3.0)
<i>Exceptional One Time Expenses</i>	3.8	3.2
Profit After Tax (After Exceptional One Time Expenses)	(11.8)	(6.3)

* Revenues net of LCO share for Q3 FY'15 and Q2 FY'15 are INR 256.6 Cr and INR 254.8 Cr respectively. Such netting off is EBITDA neutral.

Income Statement – Consolidated
Year on Year – Q3 FY'15 vs. Q3 FY'14

(Figures in INR Cr)

Particulars	Q3 FY'15	Q3 FY'14
Revenue	268.8	274.3
<i>Income from Operations</i>	263.6	269.3
<i>Other Operating Income</i>	5.2	5.0
Expenditure	268.5	202.0
<i>Operational, Administrative and Other Costs</i>	242.2	174.0
<i>Personnel Cost</i>	26.3	28.0
EBITDA Before Other Income	0.3	72.3
<i>EBITDA Before Other Income Margins %</i>	0.1%	26.3%
<i>Other Income</i>	23.8	23.0
EBITDA After Other Income	24.1	95.2
<i>Depreciation</i>	48.2	36.6
<i>Interest and Other Financial Charges</i>	19.6	24.4
Profit Before Tax	(43.7)	34.2
<i>Provision for Tax</i>	8.2	8.9
<i>Share of Minority Interest</i>	6.9	9.1
Profit After Tax (Before Exceptional One Time Expenses)	(58.8)	16.3
<i>Exceptional One Time Expenses</i>	3.8	9.3
Profit After Tax (After Exceptional One Time Expenses)	(62.6)	7.0

Income Statement – Consolidated

Quarter on Quarter – Q3 FY'15 vs. Q2 FY'15

(Figures in INR Cr)

Particulars	Q3 FY'15	Q2' FY 15
Revenue	268.8	291.7
<i>Income from Operations</i>	263.6	289.1
<i>Other Operating Income</i>	5.2	2.6
Expenditure	268.5	250.8
<i>Operational, Administrative and Other Costs</i>	242.2	224.9
<i>Personnel Cost</i>	26.3	25.8
EBITDA Before Other Income	0.3	40.9
<i>EBITDA Before Other Income Margins %</i>	0.1%	14.0%
<i>Other Income</i>	23.8	22.5
EBITDA After Other Income	24.1	63.4
<i>Depreciation</i>	48.2	47.0
<i>Interest and Other Financial Charges</i>	19.6	19.5
Profit Before Tax	(43.7)	(3.1)
<i>Provision for Tax</i>	8.2	6.9
<i>Share of Minority Interest</i>	6.9	7.2
Profit After Tax (Before Exceptional One Time Expenses)	(58.8)	(17.2)
<i>Exceptional One Time Expenses</i>	3.8	3.2
Profit After Tax (After Exceptional One Time Expenses)	(62.6)	(20.4)