

Retail Equity Research

Dish TV India Limited

Media

BSE CODE: 532839

NSE CODE: DISHTV

Bloomberg CODE: DITV:IN

SENSEX: 37,452

REDUCE

12M Investment period

Rating as per Small Cap

CMP Rs. 23

TARGET Rs. 21

RETURN -9%

(Closing: 28-08-19)

KEY CHANGES:

TARGET ↓

RATING ↓

EARNINGS ↔

Weak quarter amid new tariff regime

Headquartered in Noida, Dish TV India Limited is engaged in the business of Direct-to-Home (DTH) and teleport services. The company owns various individual brands including Dish TV, Zing and d2h.

- Q1FY20 consolidated revenue fell 44.1% YoY to Rs. 926cr (-33.8% QoQ) primarily due to netting of programming cost this quarter under the new tariff regime. On comparable basis, revenue was down 7.7% YoY to Rs. 1,528cr.
- Subscription revenue accounted for 89.2% of total revenue. Company recorded 209k net subscriber additions in Q1FY20, with net subscriber base reaching 23.9mn at quarter end.
- EBITDA declined 3.7% YoY to Rs. 536cr owing to higher selling commission, service payout and overall marketing costs. Adjusted PAT loss of Rs. 32cr (vs. Rs. 28cr profit in Q1FY19) was further impacted by higher taxes.
- Given weak quarter and uncertain outlook around new tariff regime, we assign a REDUCE rating to the stock with a target price of Rs. 21 based on 14x FY21E EPS.

Topline netted for the content cost as pass through expense

Dish TV posted Q1FY20 revenue of Rs. 926cr (vs. Rs. 1,656cr in Q1FY19). This quarter onwards, company started netting off the content cost from revenue to better reflect the new tariff regime. On comparable basis, revenue declined 7.7% YoY to Rs. 1,528cr. Subscriber revenue accounted for 89.2% of total revenue (-44.5% YoY to Rs. 826cr). Company continued to add subscribers with 209k net additions during the quarter with more than half of the net additions being HD subscribers (total subscriber base reaching 23.9mn). Management expects the subscriber revenue to pick up in the coming quarters as process settles under the new tariff regime. Company expects ~8lacs net subscriber additions in FY20. ARPU came in at Rs. 116 net of taxes based on new accounting (comparable ARPU at Rs. 199-200 versus Rs. 165-166 in Q4FY19). Churn rate stood at 0.95% for the quarter.

Profitability impacted by higher selling costs and taxes

Reported EBITDA was down 3.7% YoY reaching Rs. 536cr (decline of 14.5% YoY to Rs. 476cr on comparable basis after adjusting for licensing fee under new tariff order). EBITDA declines were primarily attributable to higher selling commission, service payout and overall marketing costs. EBITDA margin came in at 57.9% (31.2% on comparable basis vs. 33.6% in Q1FY19). Adjusted PAT loss of Rs. 32cr (vs. Rs. 28cr profit in Q1FY19) was further impacted by higher taxes. Management expects EBITDA to rise 10.0-12.5% YoY to Rs. 2,250-2,300cr in FY20.

Key concall highlights

- Current ARPU stands at 116 as per new accounting, but is expected to improve in the coming quarters under the new tariff order regime.
- Company recorded Rs. 205cr capex in Q1FY20 and guided FY20 capex at Rs. 650-675cr.

Valuation

While there is no official announcements, there are talks regarding a potential merger with Bharti Airtel which could be a key catalyst for the stock. Given weak start to the year and uncertainties amidst new tariff regime, the growth will be gradual in the near-term. We rate the stock REDUCE with a target price of Rs. 21 based on 14x FY21 EPS.

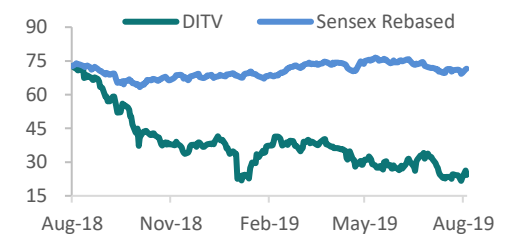
Company Data

Market Cap (cr)	Rs. 4,235
Enterprise Value (cr)	Rs. 5,420
Outstanding Shares (cr)	184.1
Free Float	36.0%
Dividend Yield	0.0%
52 week high	Rs. 73
52 week low	Rs. 19
6m average volume (cr)	0.2
Beta	1.9
Face value	Rs. 1

Shareholding %	Q3FY19	Q4FY19	Q1FY20
Promoters	60.8	58.0	57.5
FII's	12.7	15.0	11.6
MFs/Insti	1.8	0.9	3.8
Public	15.7	10.3	17.0
Others	9.0	15.9	10.1
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-29.1%	-41.0%	-67.6%
Absolute Sensex	-5.8%	4.4%	-3.7%
Relative Return*	-23.3%	-45.4%	-63.9%

*over or under performance to benchmark index



Consolidated (Rs. cr)	FY19A	FY20E	FY21E
Sales	6,166	4,563	4,928
Growth (%)	33.1	-26.0	8.0
EBITDA	2,044	2,282	2,489
EBITDA Margin (%)	33.2	50.0	50.5
Adj. PAT	418	159	274
Growth (%)	-656.6	-61.8	71.9
Adj. EPS	2.3	0.9	1.5
Growth (%)	-656.5	-61.8	71.9
P/E	17.2	26.6	15.5
P/B	1.3	0.7	0.7
EV/EBITDA	4.4	2.4	1.5
ROE (%)	-20.8	2.8	4.6
D/E	0.4	0.3	0.3

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	QoQ Growth %
Revenue	926	1,656	(44.1)	1,399	(33.8)
EBITDA	536	557	(3.7)	415	29.2
EBITDA margins	57.9	33.6	n.m.	29.7	n.m.
Depreciation	363	361	0.6	359	1.0
EBIT	173	196	(11.6)	56	210.8
Interest	147	178	(17.3)	148	(0.6)
Other Income	5	16	(70.6)	10	(51.9)
Exceptional Items	-	-	-	(1,563)	n.m.
PBT	31	34	(9.3)	(1,645)	n.m.
Tax	66	9	n.m.	(284)	n.m.
Share of profit from Associate	-	-	-	-	-
Minority Interest	(3)	(2)	44.8	(1)	148.9
Reported PAT	(32)	28	n.m.	(1,360)	n.m.
Adjustments	-	-	-	1,563	-
Adjusted PAT	(32)	28	n.m.	203	n.m.
No. of shares	184.1	184.1	-	184.1	-
EPS (Rs.)	(0.2)	0.1	n.m.	1.1	n.m.

Change in Estimates

Year / Rs.cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	-	-	4,563	4,928	-	-
EBITDA	-	-	2,282	2,489	-	-
Margins (%)	-	-	50.0	50.5	-	-
Adj. PAT	-	-	159	274	-	-
EPS	-	-	0.9	1.5	-	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Revenue	3,014	4,634	6,166	4,563	4,928
% change	(1.2)	53.7	33.1	(26.0)	8.0
EBITDA	973	1,316	2,044	2,282	2,489
% change	(5.1)	35.3	55.3	11.6	9.1
Depreciation	663	1,072	1,441	1,473	1,604
EBIT	310	244	603	809	886
Interest	224	396	629	634	560
Other Income	48	54	(1,510)	39	42
PBT	133	(98)	(1,536)	214	367
% change	(53.9)	n.m.	n.m.	n.m.	71.9
Tax	24	(13)	(372)	52	89
Tax Rate (%)	18.1	13.3	24.2	24.2	24.2
Reported PAT	109	(75)	(1,145)	159	274
Adj*	-	-	1,563	-	-
Adj PAT	109	(75)	418	159	274
% change	(84.2)	n.m.	n.m.	n.m.	71.9
No. of shares (cr)	106.6	184.1	184.1	184.1	184.1
Adj EPS (Rs.)	1.0	(0.4)	2.3	0.9	1.5
% change	(84.2)	n.m.	n.m.	(61.8)	71.9
DPS (Rs.)	-	-	-	-	-
CEPS (Rs.)	7.2	5.4	10.1	8.9	10.2

CASH FLOW

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	772	997	296	1,633	1,878
Non-cash adj.	6	(54)	700	861	926
Changes in W.C	42	93	738	(647)	75
C.F. Operation	820	1,036	1,735	1,847	2,879
Capital exp.	(861)	(835)	(854)	(670)	(683)
Change in inv.	205	260	-	-	-
Other invest.CF	33	81	33	33	33
C.F - Investment	(623)	(493)	(821)	(637)	(650)
Issue of equity	1	0	-	-	-
Issue/repay debt	(49)	(148)	(317)	(234)	(184)
Dividends paid	-	-	-	-	-
Other finance.CF	(66)	(267)	(662)	(667)	(593)
C.F - Finance	(115)	(414)	(979)	(901)	(777)
Chg. in cash	82	129	(65)	309	1,451
Closing cash	292	563	171	480	1,931

BALANCE SHEET

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	292	563	171	480	1,931
Accounts Receivable	87	146	141	114	133
Inventories	13	38	25	20	27
Other Cur. Assets	300	472	1,708	1,723	1,739
Investments	150	150	-	-	-
Gross Fixed Assets	6,445	17,714	11,002	11,672	12,355
Net Fixed Assets	1,908	3,634	3,349	3,211	2,693
CWIP	787	678	767	790	813
Intangible Assets	12	8,551	6,886	6,198	5,772
Def. Tax (Net)	510	603	999	1,049	1,102
Other Assets	202	352	326	386	459
Total Assets	4,261	15,187	14,371	13,972	14,669
Current Liabilities	3,064	5,988	6,917	6,589	7,190
Provisions	23	41	27	26	25
Debt Funds	583	2,248	1,931	1,697	1,512
Other Liabilities	100	174	36	40	44
Equity Capital	107	184	184	184	184
Reserves & Surplus	384	6,570	5,309	5,468	5,742
Shareholder's Fund	491	6,754	5,493	5,652	5,926
Minority Interest	-	(18)	(35)	(32)	(28)
Total Liabilities	4,261	15,187	14,371	13,972	14,669
BVPS (Rs.)	5	37	30	31	32

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Profitab. & Return					
EBITDA margin (%)	32.3	28.4	33.2	50.0	50.5
EBIT margin (%)	10.3	5.3	9.8	17.7	18.0
Net profit mgn. (%)	3.6	(1.6)	(18.6)	3.5	5.6
ROE (%)	22.3	(1.1)	(20.8)	2.8	4.6
ROCE (%)	28.8	2.7	8.2	11.1	11.9
W.C & Liquidity					
Receivables (days)	10.5	11.5	8.3	9.1	9.9
Inventory (days)	3.3	5.6	2.7	4.4	5.5
Payables (days)	43.5	98.3	149.6	153.3	164.3
Current ratio (x)	0.2	0.2	0.3	0.3	0.5
Quick ratio (x)	0.2	0.2	0.3	0.3	0.5
Turnover & Leverage					
Gross asset T.O (x)	0.5	0.4	0.4	0.4	0.4
Total asset T.O (x)	0.7	0.5	0.4	0.3	0.3
Int. covge. ratio (x)	1.4	0.6	1.0	1.3	1.6
Adj. debt/equity (x)	1.2	0.3	0.4	0.3	0.3
Valuation					
EV/Sales (x)	3.9	3.2	1.4	1.2	0.8
EV/EBITDA (x)	12.1	11.2	4.4	2.4	1.5
P/E (x)	104.9	n.m.	17.2	26.6	15.5
P/BV (x)	23.4	1.9	1.3	0.7	0.7

Recommendation Summary



Source: Bloomberg, Geojit research

Dates	Rating	Target
24-Jul-14	BUY	67
31-Oct-14	BUY	70
28-Jan-15	BUY	86
27-May-15	BUY	110
29-Jul-15	BUY	130
5-Feb-16	BUY	116
8-Nov-16	HOLD	93
16-Mar-17	HOLD	116
29-Aug-19	REDUCE	21

Investment Rating Criteria

Large Cap Stocks;

Buy	-	Upside is above 10%.
Hold	-	Upside is between 0% - 10%.
Reduce	-	Downside is more than 0%.
Neutral	-	Not Applicable

Mid Cap and Small Cap;

Buy	-	Upside is above 15%.
Accumulate	-	Upside is between 10% - 15%.
Hold	-	Upside is between 0% - 10%.
Reduce/Sell	-	Downside is more than 0%.
Neutral	-	Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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