

SITI Networks Limited

Formerly known as SITI Cable Network Limited

BSE : 532795 | NSE : SITINET | Bloomberg : SCNL:IN | Reuters : SITI.NS

www.sitinetworks.com

Q2FY17 Investor Presentation





Disclaimer

Some of the statements made in this presentation are forward-looking statements and are based on the current beliefs, assumptions, expectations, estimates, objectives and projections of the directors and management of SITI Networks Limited (SITI Networks) about its business and the industry and markets in which it operates. These forward-looking statements include, without limitation, statements relating to revenues and earnings. The words “believe”, “anticipate”, “expect”, “estimate”, “intend”, “project” and similar expressions are also intended to identify forward looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Company and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecast in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, changes in the regulatory environment and other business and operational risks. SITI Networks does not undertake to update these forward-looking statements to reflect events or circumstances that may arise after publication.



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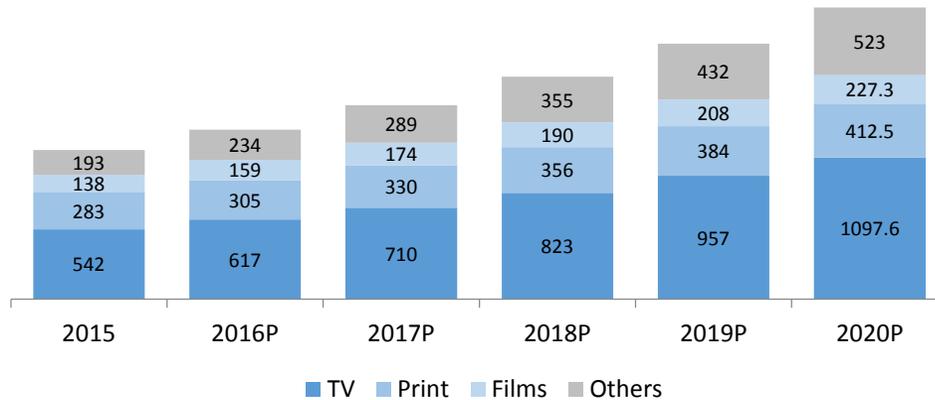
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Industry Overview

Indian TV industry-Expected CAGR Growth at 15.1%

Industry size and projections , INR Bn



Others include Radio, Music, OOH, Animation and VFX, Gaming, Digital Advertising

Incremental Revenue addition CY20 vs CY15

	Value, INR Bn	Percentage
TV	555	58%
Print	120	13%
Films	81	9%
Others	271	28%
Total M&E Industry	955	100%

TV industry to account for half of the incremental revenue addition

TV Subscriber ARPU in India is ~USD4-5, much less than USD10-25 for other Asian countries

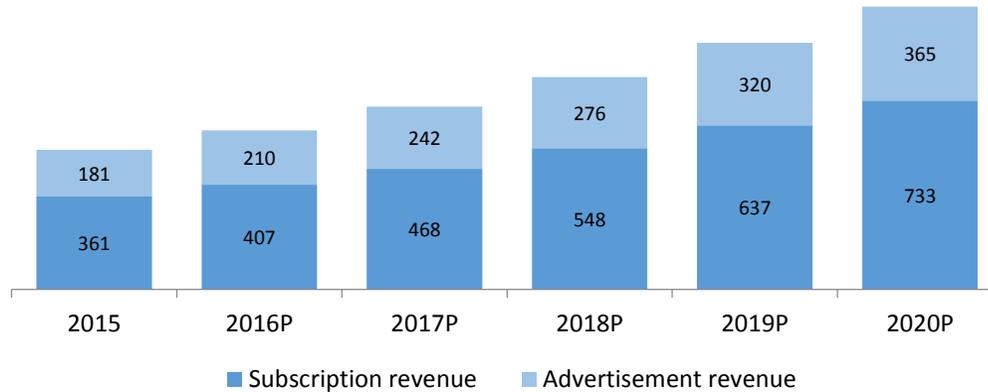
Worldwide, 33% of Pay TV subscribers avail HD services. In India it is ~1.5%

4 national MSOs, 1033 over all MSOs, 60,000 LCOs, 5 national DTH Entities: Consolidation Imminent

Source: TRAI; 1033MSOs include 229, which have permanent licences & 804 which have provisional licenses, as of 7th Nov. 2016

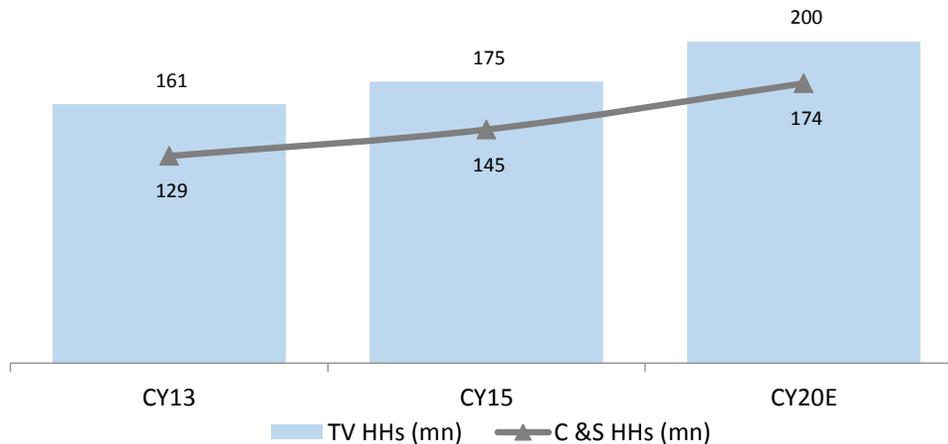
Subscription Revenue growth expected to be solid

TV Industry size, INR Bn



Incremental Revenue addition CY20 vs CY15		
	Value, INR Bn	Percentage
Subscription revenue	372	67%
Advertisement revenue	184	33%
Total	556	100%

Households Growth Trend



- ❑ Aided by digitisation and increase in ARPU, the share of subscription revenue is expected to reach 67% in 2020
- ❑ Number of C&S Households expected to grow at a robust CAGR of 4% between CY15-20
- ❑ C&S penetration of TV households expected to reach ~87% in CY20

Source: TRAI, FICCI, In House Research, Equity Reports; C&S refers to C&S subscribers excluding DD Free Dish subscribers

Distribution Platform: Digital Cable vs. Others

Digital Cable, owing to its two way communication capability, localized nature of service and immunity to weather conditions is well placed to serve Indian households

Parameter	DTH	Digital Cable	Analog Cable	HITS	IPTV
Broadband	0	4	0	4	4
Cost of Infrastructure	2	2	4	3	2
Number of Channels	3	5	1	3	2
Resistance to being affected by adverse weather	2	4	4	3	4
Regulatory framework	4	4	2	1	1
Agreements with Broadcasters	4	4	4	1	1
Two Way communication	1	4	0	4	4
Technical Assistance	4	4	1	3	4

Legend 0 – Bad, 1 – Poor, 2 – Fair, 3 – Good, 4 – Excellent

Size of Digitization Opportunity

Subscriber Universe, 170 Mn TV Households				
	Phase 1 (12 mn)	Phase 2 (22mn)	Phase 3 & Contiguous areas , (50 mn)	Phase 4, (86mn)
Area	4 metros – Mumbai, Delhi, Kolkata, Chennai	38 cities with population > 1m	7,709 urban areas with a municipality	Rest of India
Implementation Date	31 st Oct 2012 (Delhi and Mumbai) 15 th Feb 2013 (Kolkata)	31 st Mar 2013	31 st Jan 2017	31 st March 2017
Status	Mumbai, Delhi, Kolkata – Complete	Complete except Hyderabad city	Voluntary digitization taking place	
DD Terrestrial, Free Dish, & IPTV	-	-	5	11
Net Households	12	22	45	75
Cable (Mn)	Digital	23	30	4
	Analog	-	5	42
DTH (Mn)	11		10	29

Migration expected from DD terrestrial & Free Dish
Source: TRAI, Primary Market Research & AIDCF

- Strong Legal & Regulatory control frame work to support digitization. Ministry of I&B and TRAI closely monitoring developments
- Digitization mandated by Parliament; Immune to changes in political environment

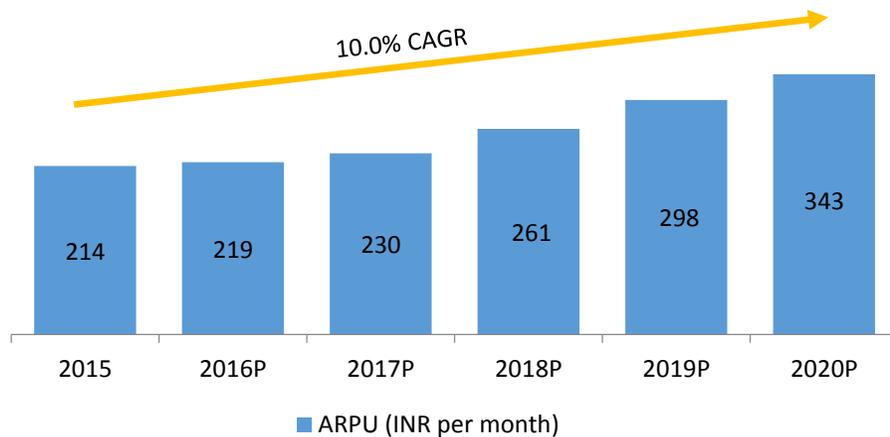


MSOs focusing on ARPU improvement & monetization to increase net realizations

Current status of MSO Realization				
(INR/ Month/ Subscriber)	Phase 1	Phase 2	Phase 3	Phase 4
Consumer ARPU, paid to LCO	225+ Tax	200+ Tax	~150-175 (All Inclusive)	<150 (All Inclusive)
LCO to MSO	100-130	90	Fixed Pay-out	
MSO Net Realization	103-105	78-90	15-50	5-10

Net billing happening across Phase 1,2,3 & 4
Phase 3 & 4 Realization on a derived basis; Phase 3 Realization to pick up after Digitization Deadline elapses

ARPU, All Inclusive (INR per month)



ARPU is at an All India Level; Source: TRAI, FICCI, In House Research

- Digitization has led to increased transparency in subs declaration and improved ARPUs
- ARPUs to be driven by packaging, package wise collections, improved monetization from LCOs, premium content, HD channels, Broadband and VAS



Company Overview

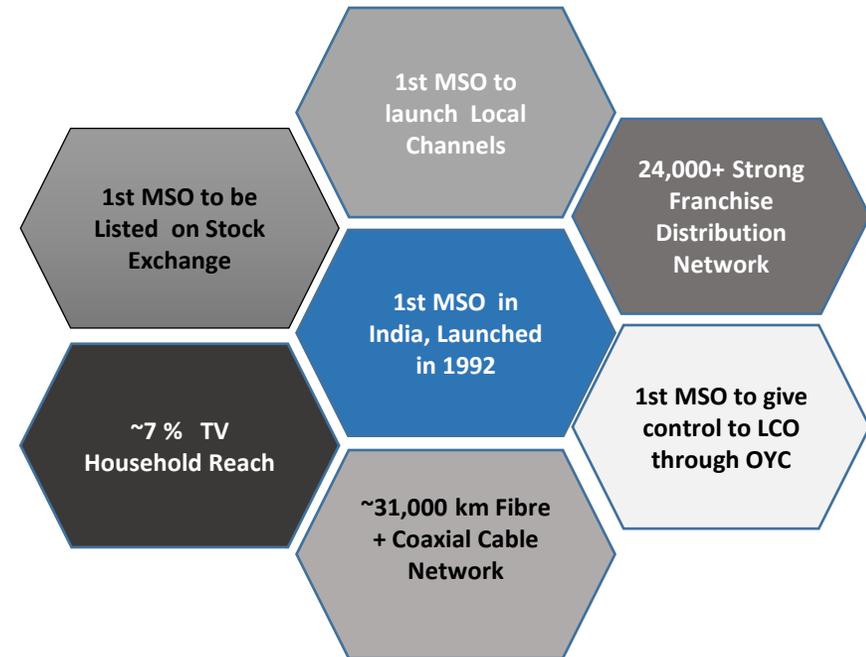
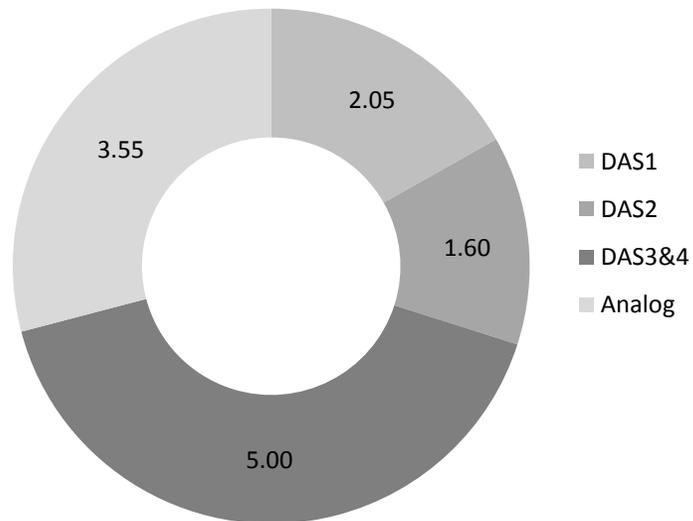


SITI Networks: A Pioneer in Indian Cable TV Distribution

12.2 Mn Cable Universe	8.7 Mn Digital Cable Subscribers	91,000 HD Subscribers	400 Locations Presence	14.6 Lakh Broadband Homes Passed	1,95,000 Broadband Subscribers
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Multi-System Operator (MSO) providing Digital/ Analog Cable TV and Broadband Services

Subscriber Universe (Mn)





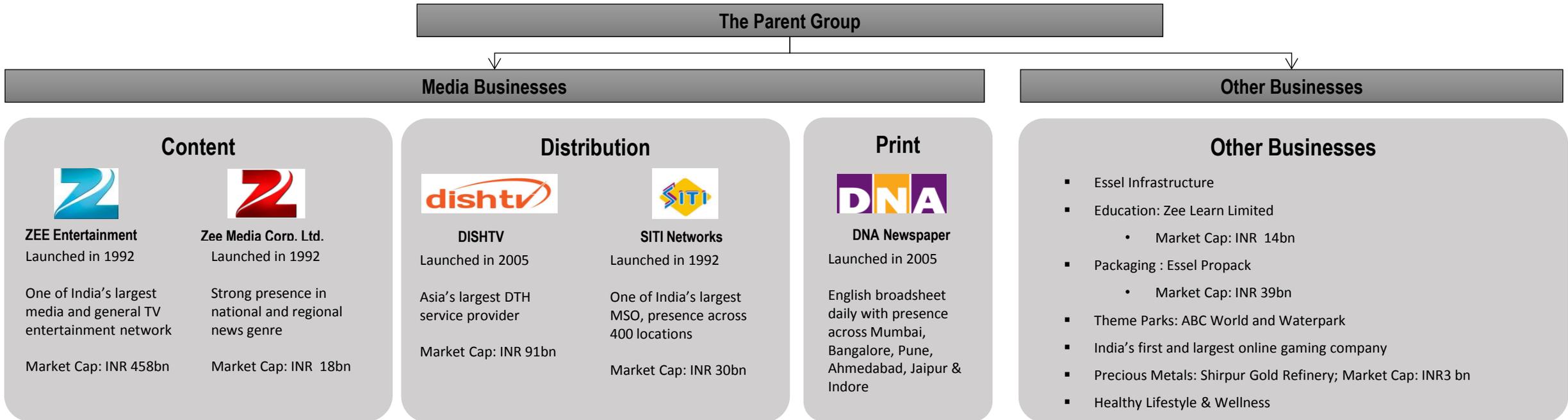
On a progressive growth path

1992	<ul style="list-style-type: none">▪ Cable business started by promoters
2006	<ul style="list-style-type: none">▪ Wire and Wireless (India) Ltd. Incorporated
2007	<ul style="list-style-type: none">▪ Implemented CAS in metros of Delhi, Mumbai & Kolkata ; Listed on the stock exchanges
2008	<ul style="list-style-type: none">▪ Initiated mass Digitization through HITS Services
2009	<ul style="list-style-type: none">▪ Right Issued of INR4500 mn fully subscribed
2010	<ul style="list-style-type: none">▪ India's largest Multi System Operator (MSO) in the Cable Industry
2011	<ul style="list-style-type: none">▪ Expanded further across 54 key cities
2012	<ul style="list-style-type: none">▪ DAS implemented in Phase -1 Cities ; Delhi, Mumbai & Kolkata ; Offered 400 Standard Definition Channels; Consolidated Pan India presence through expansions in UP and Central India▪ Broadband started in Eastern region on EOC Technology
2013	<ul style="list-style-type: none">▪ DAS implemented in Phase -2 Cities ; Achieved 3 million digital subscriber base▪ Operationalized 'Own Your Customer' Customer Management System▪ Fund infusion of INR3240 Mn by Promoters
2014	<ul style="list-style-type: none">▪ Achieved 4 million digital subscriber base; Package wise Billing started in DAS Phase 1 cities▪ Broadband launched in Delhi on DOCSIS 2/ 3 Technology▪ Started providing 18 HD Channels
2015	<ul style="list-style-type: none">▪ Raised INR2210 Mn from the Secondary Market via QIP Route in Feb. 2015▪ Digital cable subscribers at 5.4 Mn with a cable universe of 10.5 Mn. Broadband subscribers at 70,100
2016	<ul style="list-style-type: none">▪ Achieved financial turnaround for first time in its history; Reported PAT of INR9 Crores & PBT of INR22 Crores in FY16▪ Fund infusion of INR5300 Mn by Promoters through OFCDs & Convertible Warrants▪ Acquired majority stakes/ entered into strategic partnerships with regional MSO's in Assam, Maharashtra, Gujarat and Odisha
2017	<ul style="list-style-type: none">▪ Chosen to be a constituent of the Morgan Stanley Capital International (MSCI) India Domestic & Global Small Cap Index▪ Started providing OTT services in partnership with Ditto TV▪ Established Broadband presence in 4 cities of Haryana namely Hissar , Karnal, Rohtak, and Panipat



Promoter Group - Corporate Structure

- ❑ Launched in 1976, the Parent Group (“Essel Group”) is one of India’s leading business houses, with a dominant presence in Media
- ❑ India's leading vertically integrated media and entertainment group
- ❑ Leading producer, aggregator and distributor of Indian programming across the world; 222,000+ hours of original Content
- ❑ Group Market Cap (Listed entities under the Parent Group): ~USD9.6 Bn
- ❑ Present in 171 countries, a reach of ~1bn+ viewers; Compelling bouquet of 73 Channels



An Experienced Management Team leads the Company



Mr. V D Wadhwa: Executive Director and CEO

Mr. Wadhwa is an Alumnus of Harvard Business School & a fellow member of the Institute of Company Secretaries of India. He has over 30 years of work experience including over 20 years in multinational companies in leadership positions for India and SAARC countries and various global assignments. He is known for profitable turn around of businesses and establishing the distribution across India prior to joining SITI Networks.. He has served on various committees of FICCI, Assocham and as President of the Horological Federation of India.. He is the President of the All India Digital Cable Federation of India and a member of the Task Force created by Ministry of I&B



Mr. Anil Malhotra: Chief Operating Officer

Mr. Malhotra has over 28 years experience in the content distribution Industry in Distribution, Technology & Operations. He holds a Master's degree in Physics (Solid State) from University of Garhwal. Before joining SITI, he was working with Broadband Pacenet (I) Pvt. Ltd as Executive Vice President (North India) and was responsible for Cable, Broadband & DTH business for North India. He has executed multiple turn key projects in North India and has been a successful entrepreneur before starting his career with Shyam Communications. He has worked with IMCL for more than 10 years and was President (North India) during this tenure.



Mr. Sanjay Berry, Chief Financial Officer

Mr. Berry is a Chartered Accountant & has done his Bachelors in commerce from Delhi University. He is deft in handling Finance function with expertise in Financial Management, Compliances and Internal Controls and taxation. In his 25 years of work life, he has had rich and varied experience with Computer Sciences Corporation, Bharti Airtel, Patni Computer Systems, HCL Technologies, EY and Arthur Andersen & Associates. Most recently he was working as Corporate Financial Controller with Bharti Enterprises



Mr. Munish Kanotra, Head – Strategy, Product Development & Customer Experience

Mr. Kanotra is a performance driven leader with a track record of successfully leading large consumer businesses. Munish is a PGDBM (Marketing) from CMD, Modinagar & a BE (Hons) Electronics from BITS Pilani. In his 20+ years of work life he has had rich and varied experience with Idea (Spice) & Bharti Airtel. Most recently he was working as Sr. Vice President & Chief Marketing Officer, Mobile Services at Reliance Communications.

Key Differentiators vs. Other MSOs

1

Part of a USD 9.6 Bn Group, India's leading Media Conglomerate

- Promoter entity is India's leading Media conglomerate with interests spanning across broadcasting (One of India's largest network of Indian entertainment channels), distribution (India's first and largest DTH business) and SITI Networks (India's oldest and 2nd largest MSO), as well as Print (National English newspaper)
- Fully Integrated presence across the Media Value Chain and access to Group synergies (Content, STB procurement and Shared Services)
- Better deal terms through collaboration and stronger negotiation ability

2

Strong systems and processes

- 'Own Your Customer' Subscriber Management System provides robust backend and Customer Insights
- Proactive Carriage sharing with LCO; Uniform commercial policies in place

3

Robust execution

- Strong operating team and execution capabilities; Effective control and alignment of subsidiaries
- Value unlocking through consolidation and integration of Local MSOs

4

Adherence to compliance

- Majority of KYC CAF forms collected
- SIA/ MIA LCO Interconnect Agreements signed and revenue share with LCOs

5

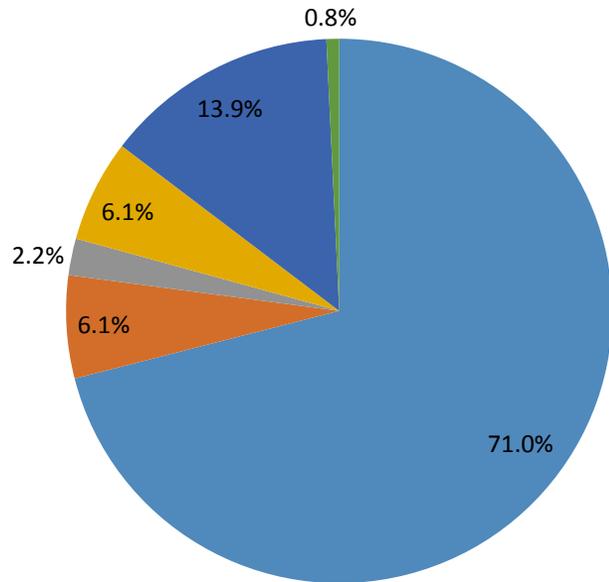
Corporate Governance

- Strong corporate governance practices and professional management team
- Transparent and consistent commercial policies govern interaction with various stakeholders



SITI Networks has a sizeable free float and institutional ownership

Shareholding Pattern 794 Mn Shares



- Promoters
- Indian Companies
- FIIs
- Individuals
- Mutual Funds
- Others

As of 20th Jan. 2017
Others include retail, banks, trusts and NRIs

Key Investors



Hosking & Co.

Foreign
Institutions

ROUTE ONE INVESTMENT CO.



Acacia Partners



Domestic
Institutions

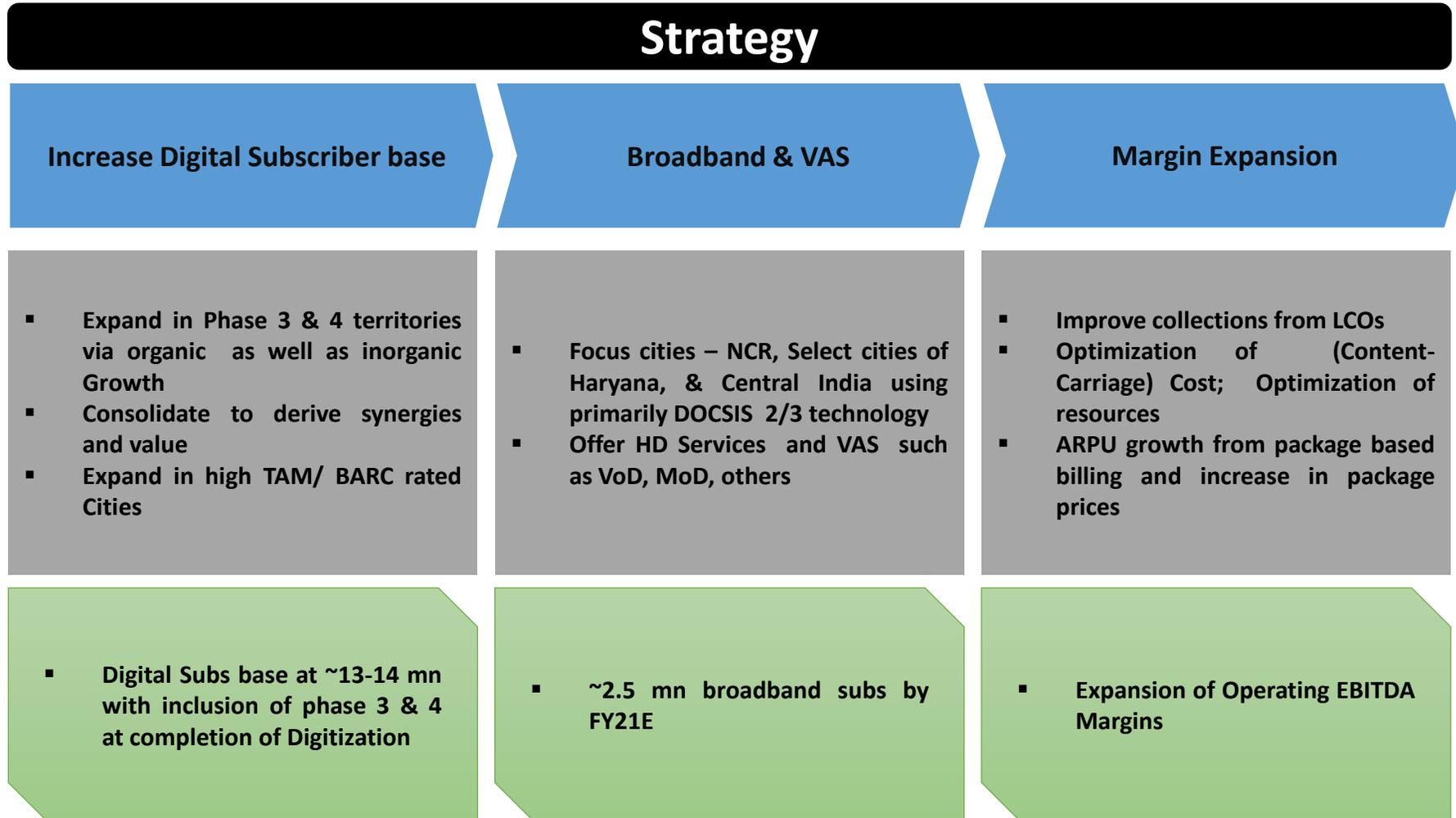


There has been further fund infusion of INR5300 Mn by Promoters through OFCDs & Convertible Warrants in Feb. 2016 ; Promoter shareholding will be at 73.6% on full conversion of committed amount of INR6800 Mn



Broadband- Vision & Strategy

Vision: To be a leading Broadband Company in 5 years



SITI Networks is the best of both worlds : GPON and DOCSIS

DOCSIS (Data Over Cable Service Interface Specification)

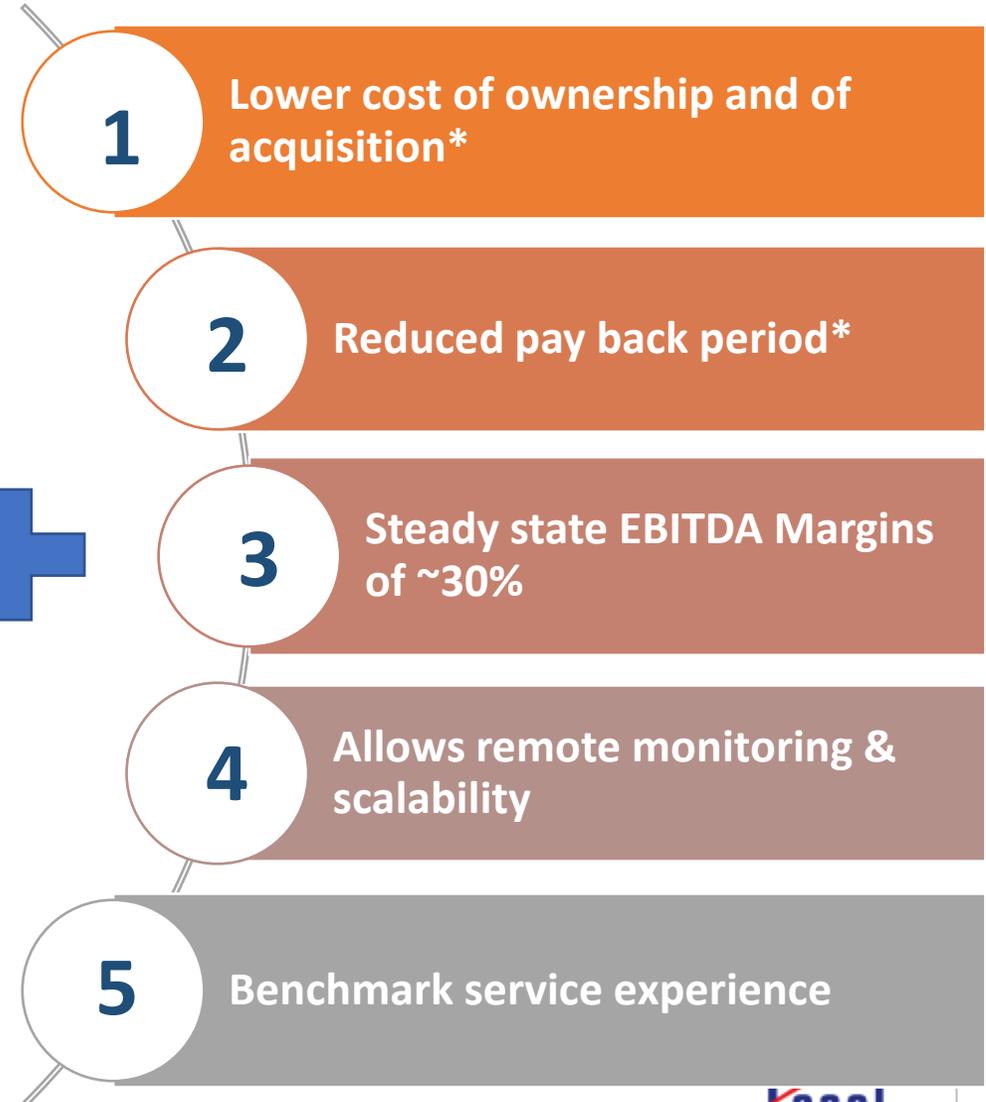
Advantages

- Leverage existing access to homes through cable distribution channel
- Highly suited for overhead delivery
- Passive network for longer distances and easy maintenance; Minimal active components even for long-distance service delivery
- Future standards upto 10 Gbps
- VAS-ready e.g. OTT, Video, Triple-play

GPON (Gigabit Passive Optical Networks)

Advantages

- Completely passive optical network capable of delivering 2.5 Gbps on single fiber
- No need of having active repeaters to extend reach or bandwidth
- Scalable to 10 Gbps and other futuristic standards on the fly



*As compared to FTTH



Future-ready Hybrid network conditioned for Indian environment

Features	Hybrid (GPON + DOCSIS)	GPON (FTTH)
Subscribers Acquisition Cost*	<ul style="list-style-type: none"> • ~INR3000 	<ul style="list-style-type: none"> • ~INR30,000
CPE Cost	<ul style="list-style-type: none"> • ~INR2000 	<ul style="list-style-type: none"> • INR4000
Scalability	<ul style="list-style-type: none"> • Very High 	<ul style="list-style-type: none"> • Moderate
Network Type	<ul style="list-style-type: none"> • Last mile overhead 	<ul style="list-style-type: none"> • Mostly underground
Remote management	<ul style="list-style-type: none"> • Fully manageable with high reliability 	<ul style="list-style-type: none"> • Fully manageable with high reliability
Pay Back Period (30% EBITDA Margin at ARPU OF 600)	<ul style="list-style-type: none"> • ~2.5 Years 	<ul style="list-style-type: none"> • ~14 Years
Environmental Factors	<ul style="list-style-type: none"> • Sturdy and Hardier 	<ul style="list-style-type: none"> • Not sturdy; Suitable for underground networks
Throughput	<ul style="list-style-type: none"> • Upto 200 Mbps 	<ul style="list-style-type: none"> • Upto 100 Mbps
Value Added Services	<ul style="list-style-type: none"> • OTT, Video (Linear, VoD, Catch-up) 	<ul style="list-style-type: none"> • OTT, Video (Linear, VoD, Catch-up)

*Assuming a Home Pass Cost of INR600 & penetration of 20% for SITI, excluding CPE

Key Drivers for Cable Broadband in India

1

Projected Exponential increase in demand for Data

In India, internet traffic is expected to grow at a CAGR of 32% and reach 5.6 Exabyte's /month in 2020, up from 1.4 Exabyte's / month in 2015

3

Enabling Ecosystem for data usage

Over the next five years, India is expected to have 1.9 bn networked devices in 2020, up from 1.3 bn in 2015

Multiple screens leading to higher bandwidth consumption

5

Broadband data usage driven by Wireline

Wireline accounts for 11% of the total broadband users & ~75% of the broadband data consumption

Used primarily for Streaming, Calling and Gaming

2

Significant divergence in data rates

Currently, 1 GB of data on a 3G Network costs ~INR200 vs. ~INR45 on DOCSIS 3 (Data over Cable Service Interface Specification). Consumers would prefer to use latter for heavy usage

Scope for Value Added Services like Over-the-top Content (OTT), IPTV, Gaming others

4

Government Focus – Digital India

Against a Government target of achieving 175 Mn broadband connections by 2017 and 600 Mn by 2020, 162Mn achieved so far

6

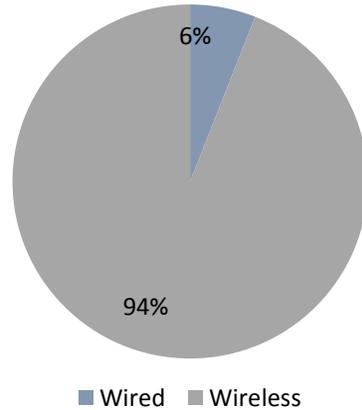
Low Speeds

Almost 54% of internet subscribers on speeds <512kbps



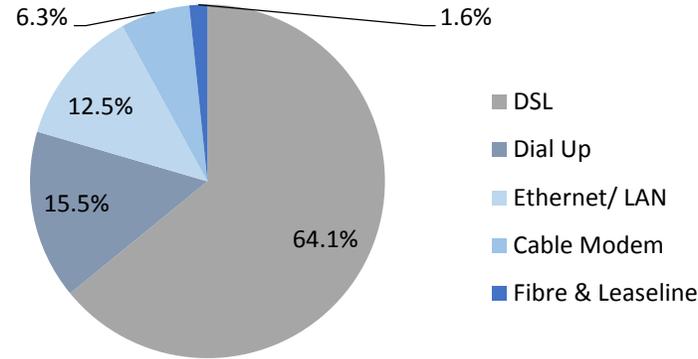
SITI Networks targeting ~20% conversion of base by 2021

India Internet connections

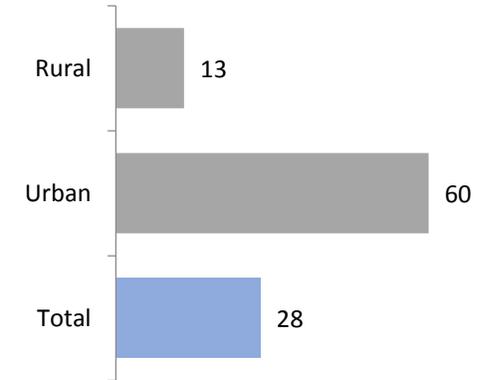


Fixed Wireless includes Wi-Fi, Wi-Max, Radio & VSAT
 Mobile Wireless includes Phone + Dongle

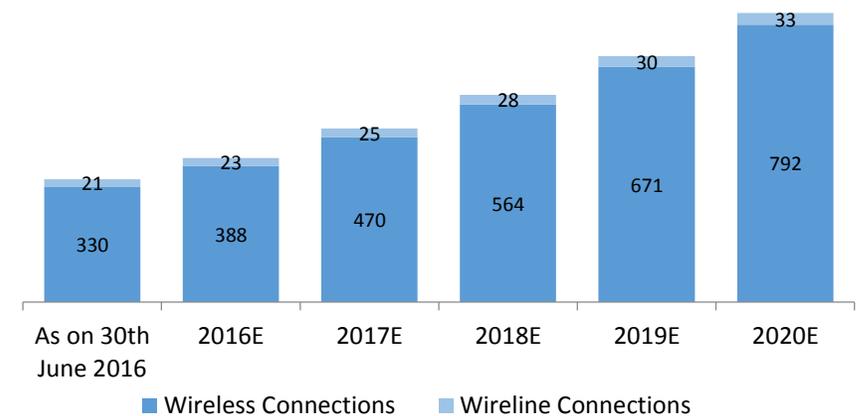
Wireline Subscribers By Technology



Internet Subscribers per 100 population



Projected Connections Growth (Mn)



Internet Subscribers as on 30 th June 2016 [in millions]			
Category	Narrowband	Broadband	Total Internet
Wireline	3.4	17.3	20.8
Fixed Wireless	0.0	0.5	0.6
Mobile Wireless	185.0	144.2	329.1
Total	188.4	162.1	350.5

Source: FICCI- KPMG, TRAI, Narrowband- speed <512 kbps

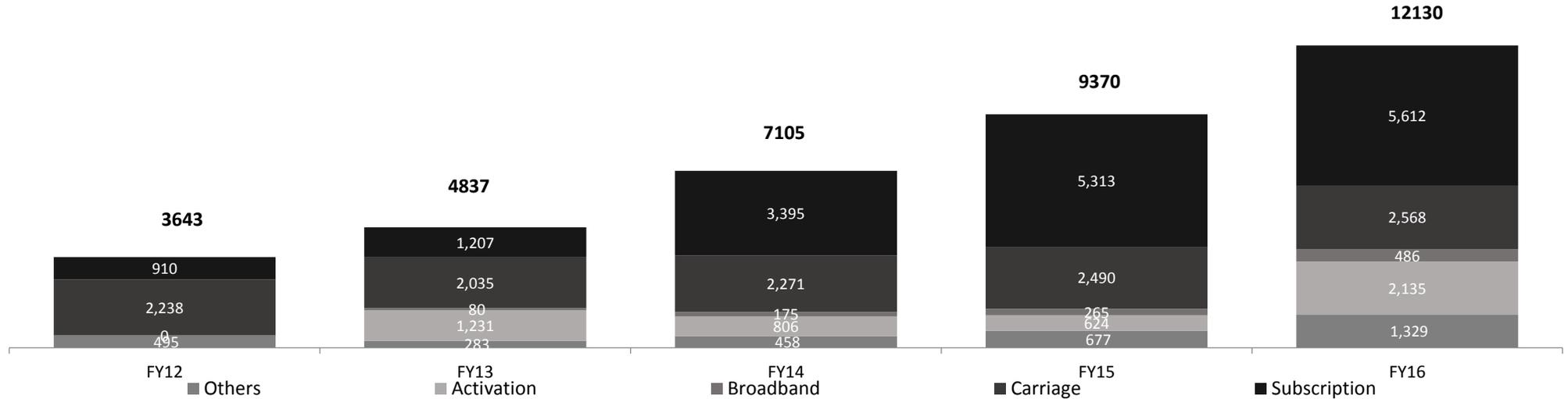


Financials



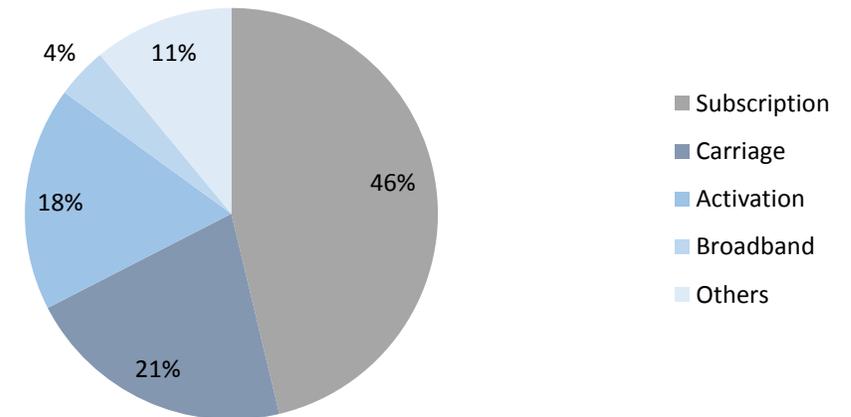
FY16 Financial Snapshot: Steady Progress

FY Consolidated Revenues (INR Mn)



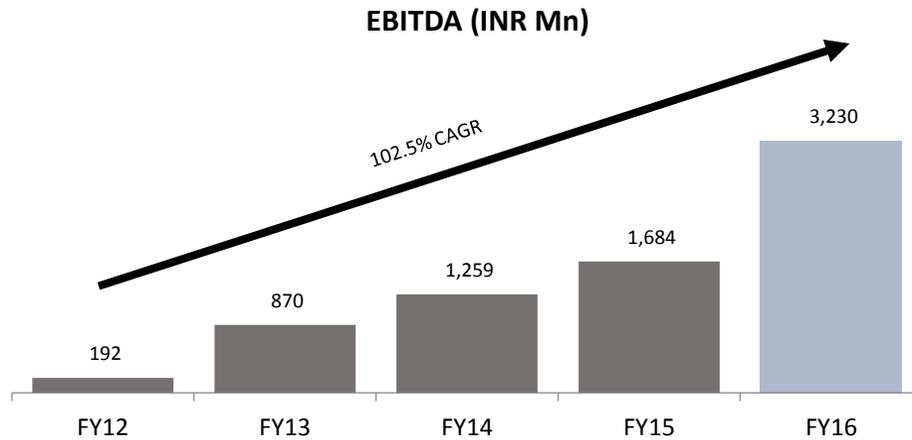
Revenue Streams	CAGR FY16 Vs. FY13
Subscription	66.9%
Broadband	82.5%
Carriage	8.1%
Activation	20.1%
Others	67.4%

FY16 Revenue Breakup

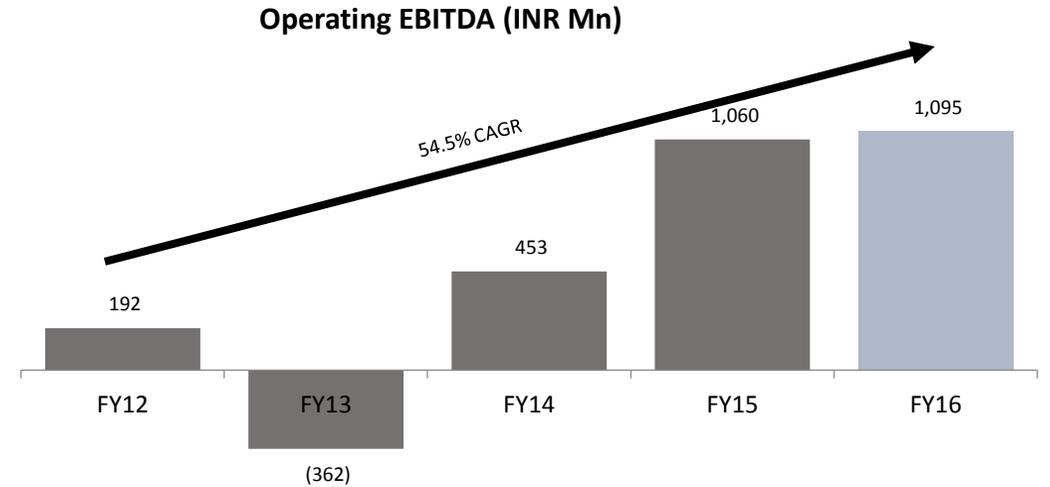




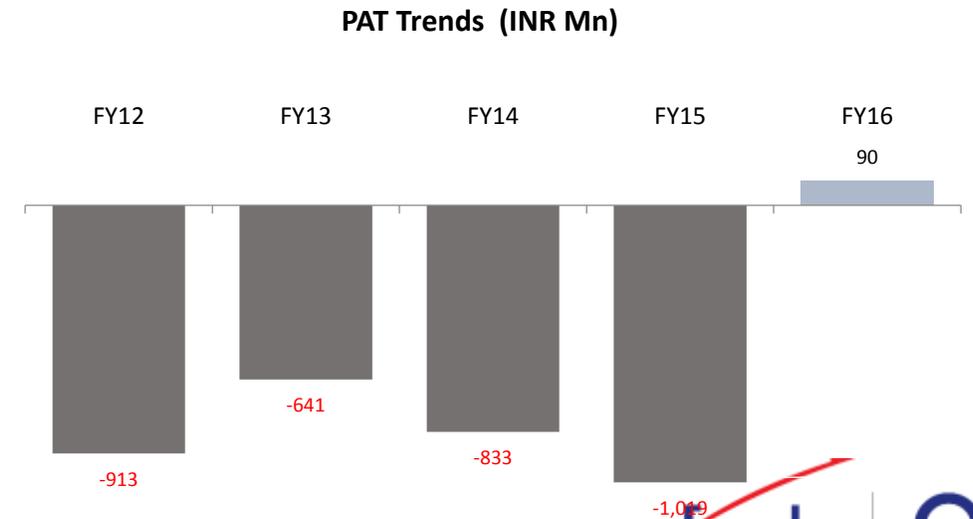
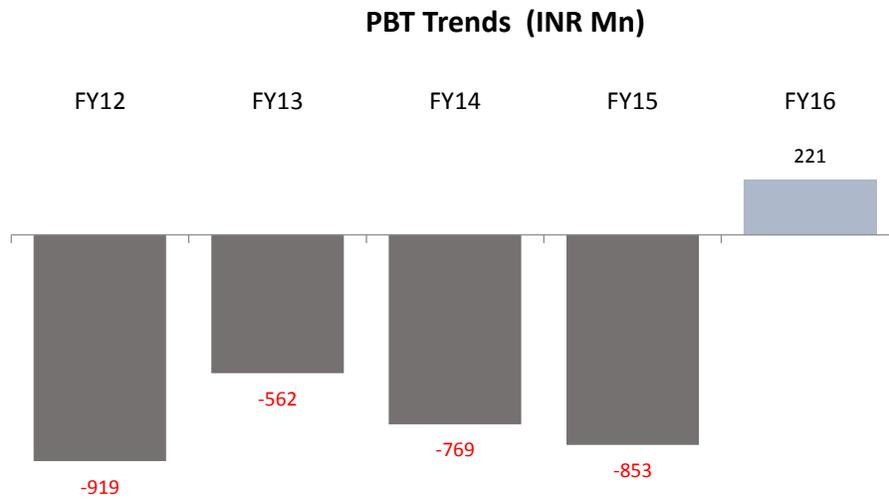
FY16: A year of Profitable Turn-around



EBITDA as per Investor release. EBITDA includes other income



EBITDA excluding activation income



FY Profit & Loss Statement

Income Statement (INR Million)	FY 2016	Year Ended				CAGR FY16 Vs. FY12
		FY 2015	FY 2014	FY 2013	FY 2012	
Net Operating Revenues	11,889	9,059	6,972	4,696	3,428	
Other Income	241	311	131	140	214	
Total Revenue	12,130	9,370	7,103	4,837	3,643	35.1%
Total Expenditure	8,900	7,686	5,844	3,967	3,451	
EBITDA	3,230	1,684	1,259	870	192	102.5%
<i>Margins</i>	<i>26.6%</i>	<i>18.0%</i>	<i>17.7%</i>	<i>18.0%</i>	<i>5.3%</i>	
Finance cost	1,378	1,209	1,191	864	566	
Depreciation	1,632	1,328	838	563	304	
PBT	221	(852)	(769)	(563)	(919)	
Tax	131	167	64	46	30	
PAT	90	(1,019)	(833)	(609)	(949)	

Regulatory Development- Likely Impact

SITI well positioned to benefit from implementation of New Tariff Order

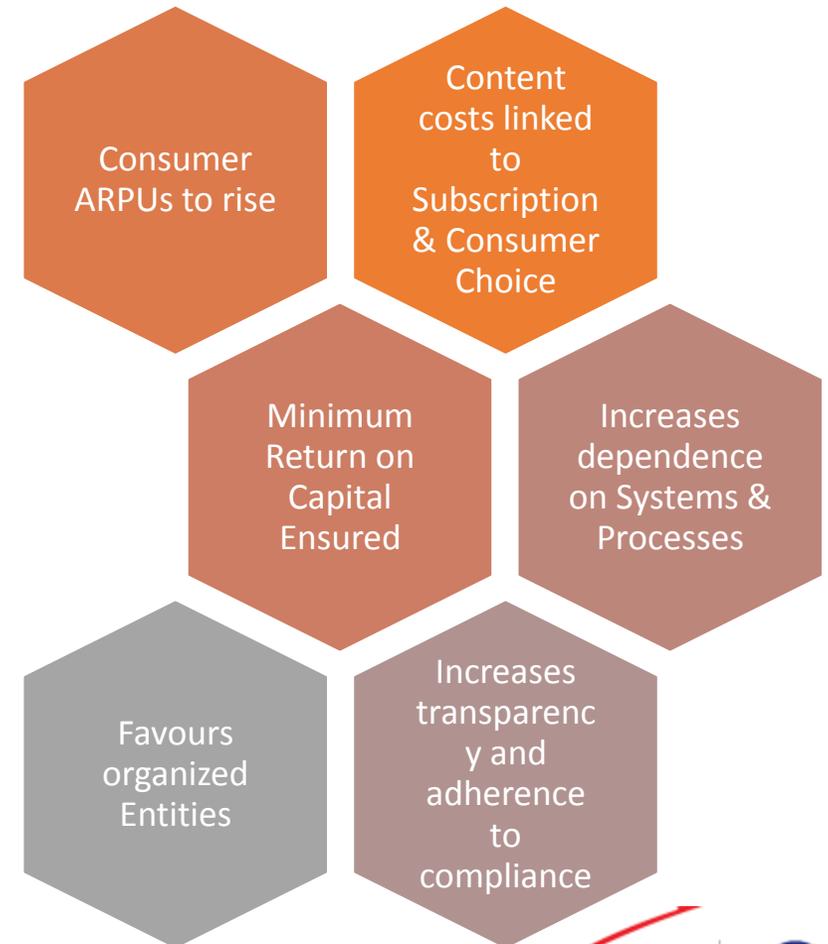
Implementation of the network distribution model will shift the balance of power in favour of Distribution

Subscription

- Subscribers pay Phase neutral Minimum Rental of INR130 for 100 FTA SD channels; Can take additional FTA channels in bundles of 25 channels for INR20 each
- **True A-La-Carte:** Discounts on Bouquets restricted to 15% of A-La-Carte price of Pay channels
- HD Channels priced at ≤ 3 SD Price or Maximum price of Genre
- Premium channels only on A-la-Carte
- Broadcasters to provide 20% distribution fee for collection and remittance of subscription

Carriage

- Marketing & placement fee retained
- Carriage capped @ 20 paisa & @ 40 paisa / subscriber/ channel/ month for SD & HD Channels respectively
 - $\geq 5\%$ to $< 10\%$ - 75% of Base to be charged.
 - $\geq 10\%$ to $< 15\%$ - 50% of Base to be charged.
 - $\geq 15\%$ to $< 20\%$ - 25% of Base to be charged.
 - $\geq 20\%$ - No Carriage Fee to be charged





Thank You
