

SITI Networks Limited

Formerly known as SITI Cable Network Limited

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

www.sitinetworks.com

Q4FY17 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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Industry Overview

Size of Digitization Opportunity

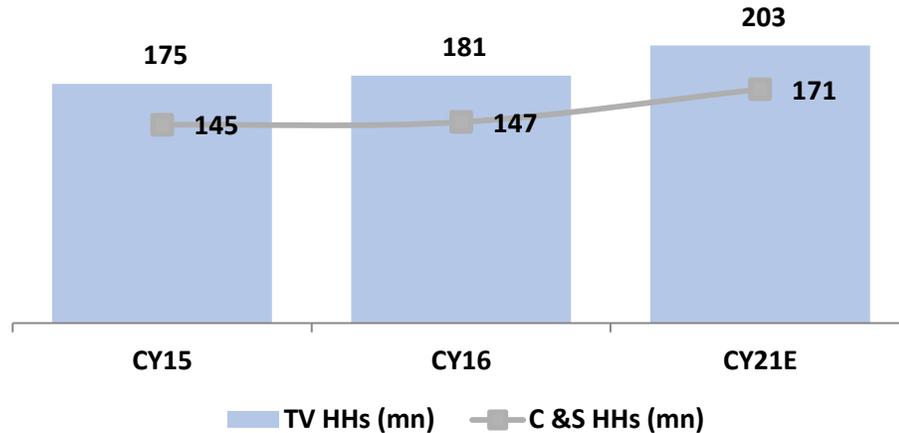
Subscriber Universe, 193 Mn TV Universe				
	Phase 1 (18 mn)	Phase 2 (22mn)	Phase 3 & Contiguous areas (48mn)	Phase 4 (105mn)
Implementation Date	31 st Oct 2012 (Delhi and Mumbai) 15 th Feb 2013 (Kolkata)	31 st Mar 2013	31 st Jan 2017	31 st March 2017
DD Terrestrial, Free Dish, & IPTV	1	1	7	16
Cable (Mn)	Digital	26	29	7
	Analog	-	2	54
DTH (Mn)	12		10	28

Source: TRAI, FICCI, In House Research, BARC; C&S refers to C&S subscribers excluding DD Free Dish subscribers; Multiple TV Households assumed at 10 Mn

- ❖ 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

Pay TV Market Trends

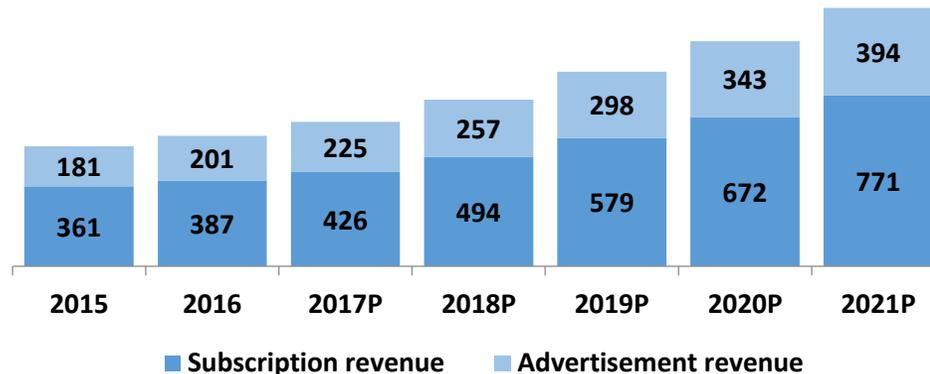
Households Growth Trend



Key Drivers

- ❖ On-going Digitization
- ❖ TV Subscriber ARPU at ~USD4-5
- ❖ HD penetration at ~1.5%
- ❖ Nascent OTT adoption
- ❖ Wireline Broadband Penetration at 5%
- ❖ Fragmented Industry: 4 national MSOs, 1281 over all MSOs, 5 national DTH Entities: Consolidation Imminent

TV Industry size, INR Bn



Incremental Revenue addition CY21 vs CY15

	Value, INR Bn	Percentage
Subscription revenue	410	66%
Advertisement revenue	213	34%
Total	623	100%

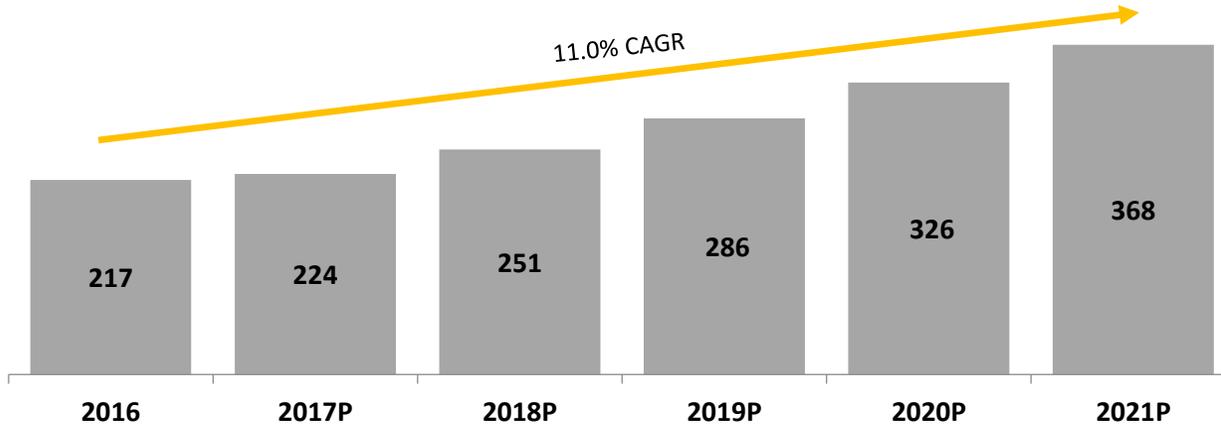


Revenue Construct

Current status of MSO Realization				
(INR/ Month/ Subscriber)	Phase 1	Phase 2	Phase 3	Phase 4
Consumer ARPU, paid to LCO	250+ Tax	225+ Tax	~175-200 (All Inclusive)	<175 (All Inclusive)
LCO to MSO	~136	~90-110	~46-65	35-45
MSO Net Realization	105	82	50	25



ARPU, All Inclusive (INR per month)



ARPU is at an All India Level; Source: KPMG, FICCI, Primary Research

Current Cable Market Size	MSO Revenue Size
INR24,000 Crores	INR5000 Crores

Expected to move to INR50,000 Crores in ~5 years timeframe

MSO Fair Share at INR12,000 Crores



- 1 Fair Share Realization
- 2 ARPU Uptick



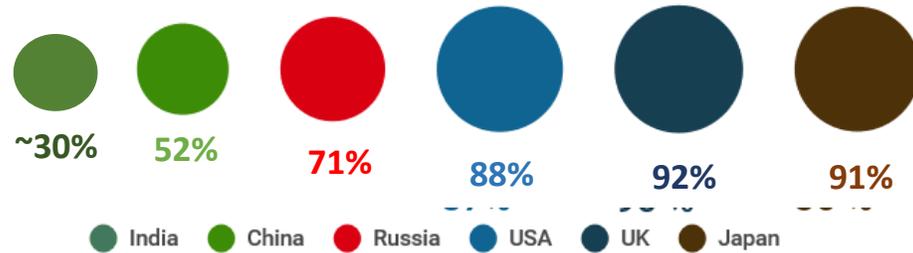


Digital Cable vs. DTH

Parameter	DTH	Digital Cable
Number of Channels	370-380	500
Local Channels	No	Yes
Signal Quality	Up-linking/ Down-linking leads to 10-15% signal loss	Wired technology gives better signal
Resistance to being affected by adverse weather	Low	High
Two Way communication	No	Yes
Broadband Cross Sell	No	Yes
Customer Value	Moderate	High
Customer Connect	System Based	Direct
Spectrum Charges & Satellite Fee	Need to be Paid	No such charges

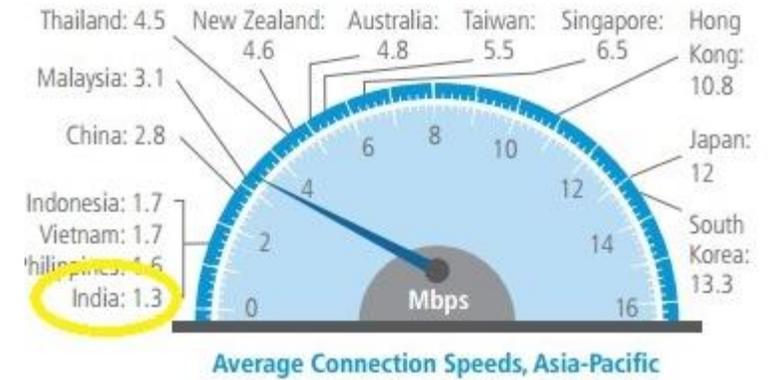
Broadband: India is an opportunity with pent-up Potential!

✓ Low Internet Penetration



Source : TRAI, Internet Live Stats

✓ Low Average Internet Speeds



Source : Akamai

✓ With 1 billion Mobile Subscribers



Source : TRAI , Dec 2016

✓ And a Young Population

41% : < 20 years

50% : 20-59 years



Source : Census 2011

Drivers of Internet Consumption are getting in place....

1

Dropping Smartphone Prices and increasing screen sizes, driving Upgrades to Smartphones

India 4G Smartphones start from \$44 , compared to \$220 a year back.. Screen sizes increased to an average of 5-5.5 inches

2

An 'always online' Youth, strongly connected on Social Media

Highest WhatsApp Users in world @ 160mn 2nd Highest FB Users in world @ 140mn

3

Rapidly growing E-commerce Adoption, fuelled by a flurry of world-class start-ups

\$100bn India e-commerce industry by 2020
Source : NASSCOM

4

Aggressive OTT players....driving Content Consumption....Video ...

1 bn YouTube page views per month, India Video to represent 75% of mobile data traffic by 2021

5

Data Rates are coming down

Fixed broadband customer value continues to be superior than mobile broadband

6

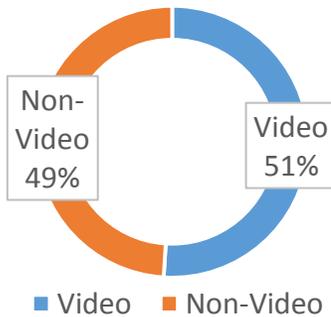
Data Networks are expanding, driven by 4G roll-outs

A large population expected to jump straight from 2G to 4G

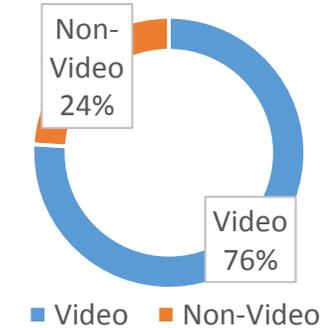
India will follow global pattern of High Video Consumption

Video to be 76% of Usage by 2020

Internet Traffic 2015



Internet Traffic 2020

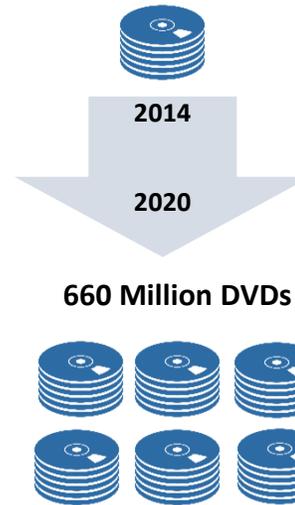


On-Demand video to be 45% of internet video traffic in 2020

...projected to grow 36% CAGR till 2020

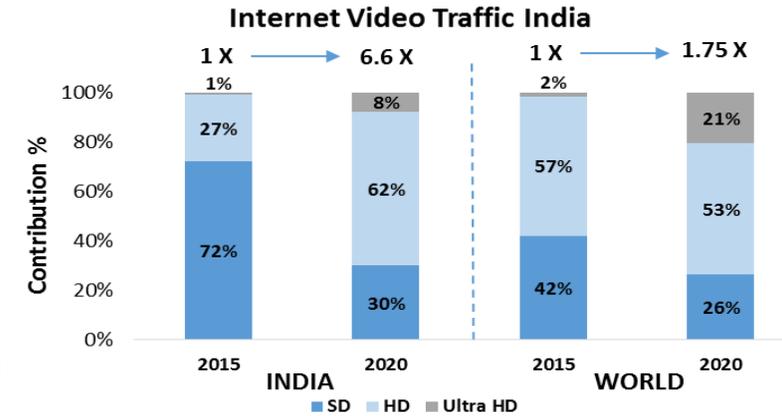
Online Video Consumption Growth

102 Million DVDs equivalent



Indians watched 102 Min DVDs equivalent of online video content in 2015

...on a dominant HD Content

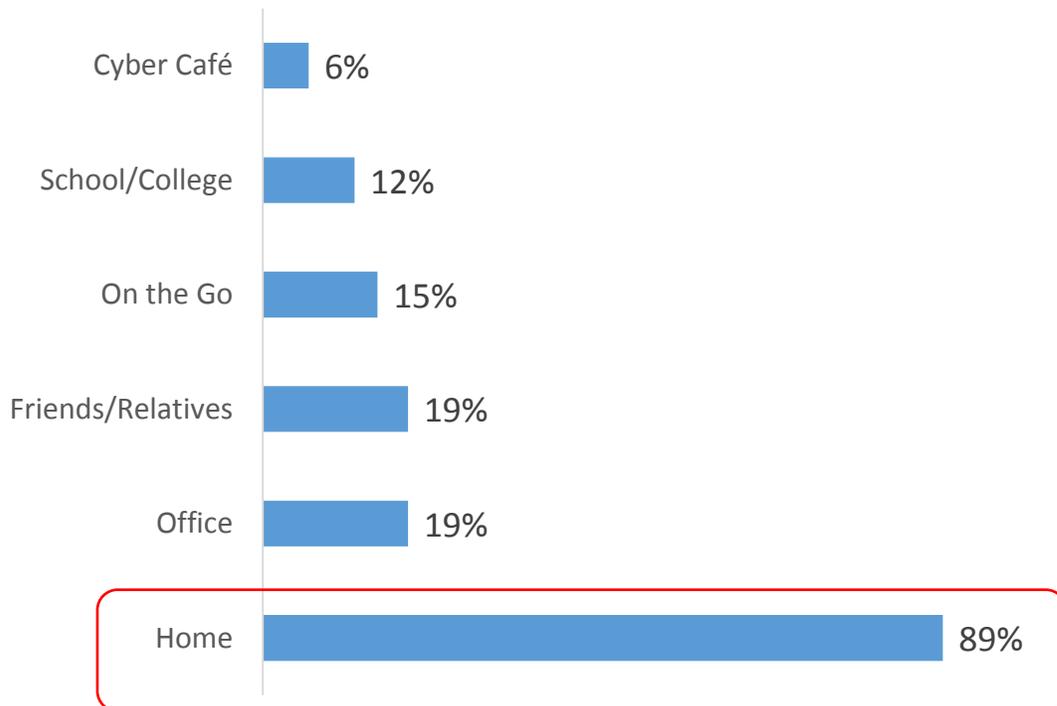


Contribution of HD content is going to go up significantly from 27% to 62% on a 6.6X increase in traffic by 2020

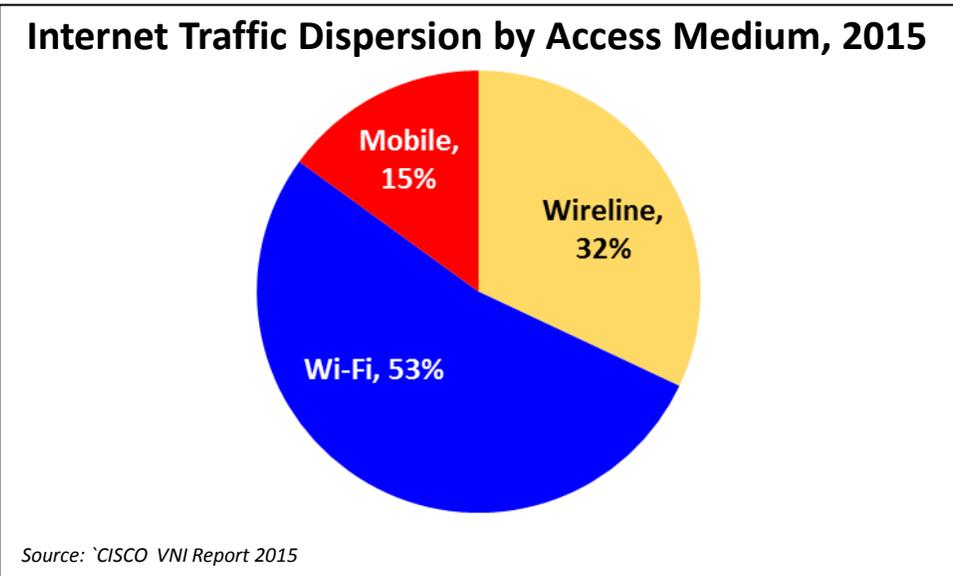
... and High Video Consumption requires High Access Speed

Studies indicate majority of Internet Consumption, including Mobile, in India is happening within Home

Locations of accessing Internet in India



Fixed Broadband is best suited to leverage this Opportunity !



With exploding Internet Consumption ,coupled with Video Usage, what does the Customer Need ?

Customer Needs

1

High Speed of Access

6x of average mobile broadband speeds

2

Low Cost per GB (\$/GB)

1/5th of mobile broadband price

Only Wireline Broadband / WiFi can provide



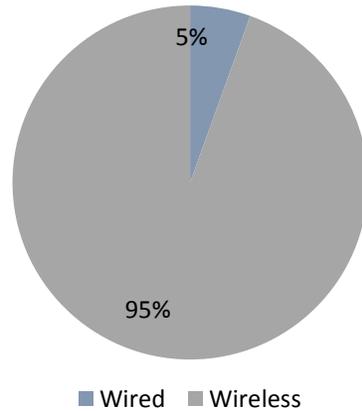
Hi-speed WiFi Access for Laptops , Tablets , Smartphones

Siti Networks / Essel Group is in an excellent position to leverage this opportunity !



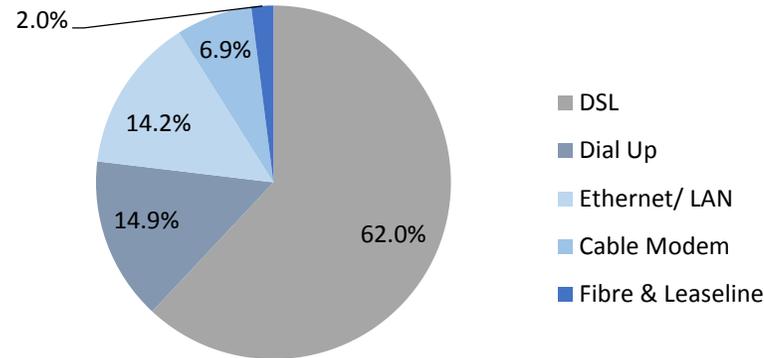
SITI Networks targeting ~20% conversion of base by 2021

India Internet connections

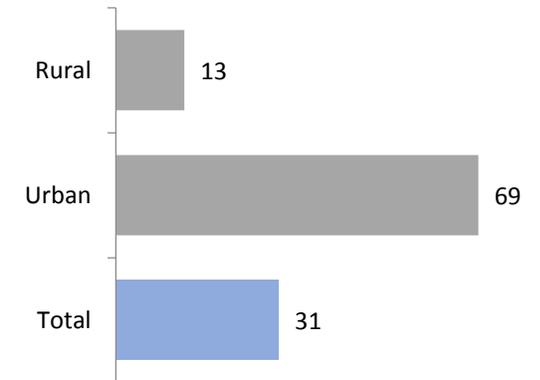


Fixed Wireless includes Wi-Fi, Wi-Max, Radio & VSAT
 Mobile Wireless includes Phone + Dongle

Wireline Subscribers By Technology



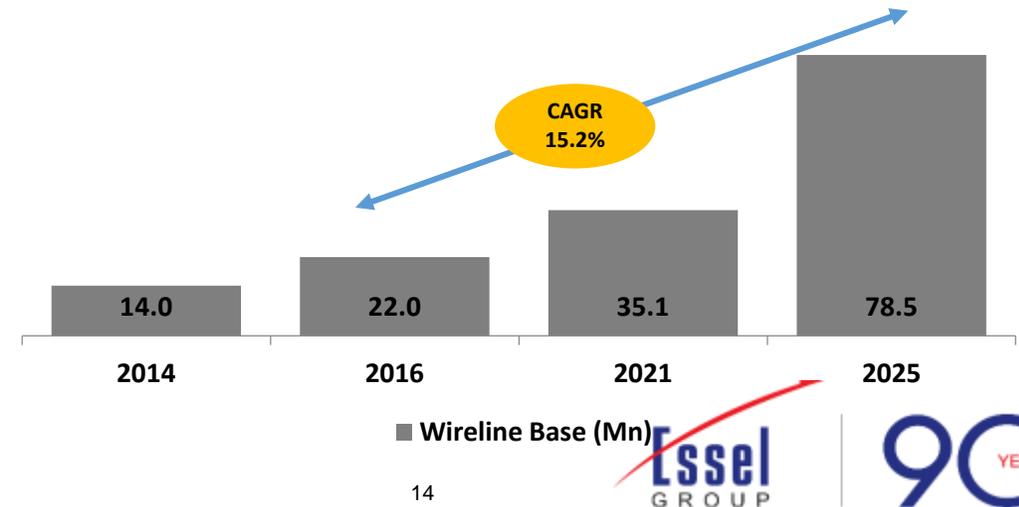
Internet Subscribers per 100 population



Internet Subscribers as on 31 st Dec. 2016 [in millions]			
Category	Narrowband	Broadband	Total Internet
Wireline	3.4	18.1	21.5
Fixed Wireless	0.0	0.6	0.6
Mobile Wireless	152.0	217.4	369.4
Total	155.4	236.1	391.5

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

Wireline Base Growth



■ Wireline Base (Mn)





Company Overview

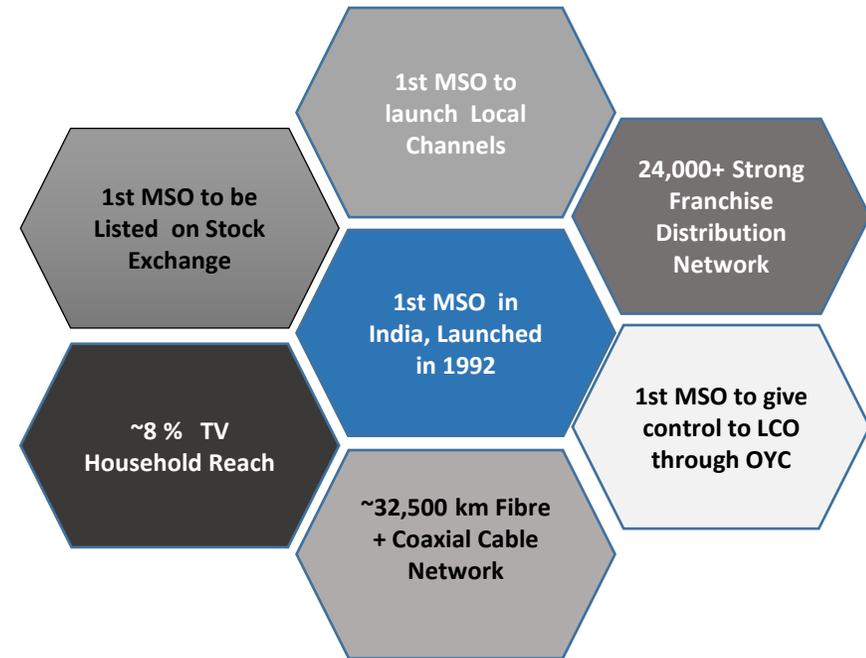
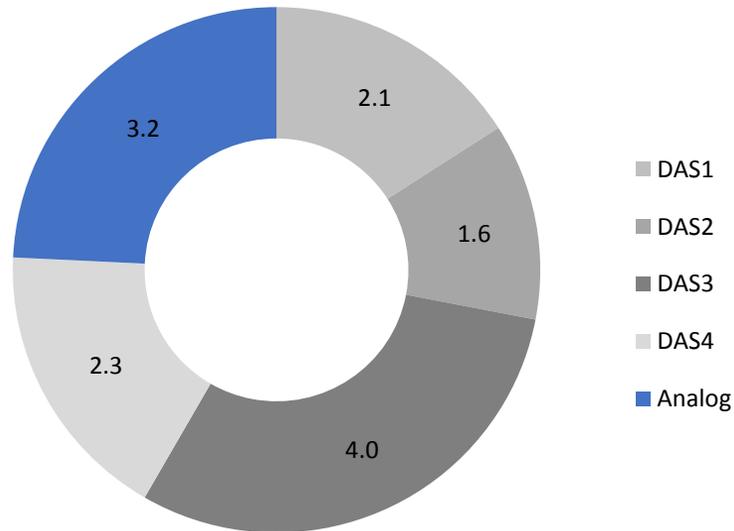


SITI Networks: A Pioneer in Indian Cable TV Distribution

13.2 Mn Cable Universe	10.0Mn Digital Cable Subscribers	160, 000 HD Subscribers	580 Locations Presence	1.61 Mn Broadband Homes Passed	228,000 Broadband Subscribers
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Multi-System Operator (MSO) providing Digital/ Analog Cable TV and Broadband Services

Subscriber Universe (Mn)



All metrics as of 31st March 2017



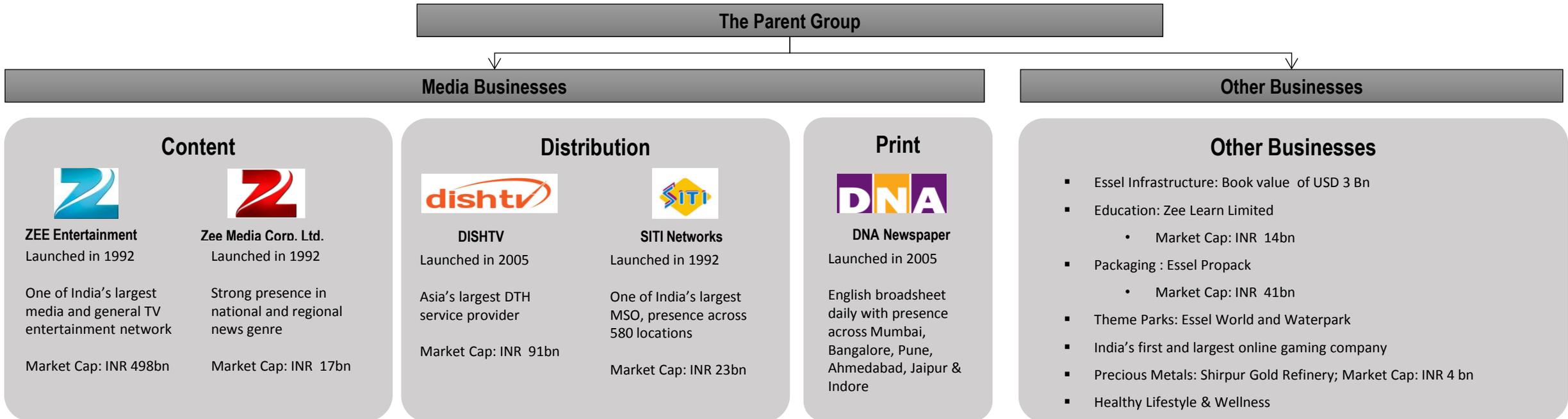
On a progressive growth path

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; Customer base at to 60,000 subscribers ▪ Established a portfolio of 130+ local channels on a Pan India basis. ▪ Established Broadband presence in 3 cities of Haryana namely Hissar , Karnal and Rohtak ▪ Prepaid on-going in select states with 1 mn subscribers on prepaid across 97 locations & 2000 LCOs ▪ Fund infusion of INR1500 Mn by Promoters



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): ~USD10.6 Bn
- ❑ Present in 171 countries, a reach of ~1bn+ viewers; Compelling bouquet of 75 Channels



The SITI Competitive Advantage

1

Country-wide Access

- India's largest MSO
- Presence across 580 locations

2

Superior Technology

- Using latest MPEG4 STBs
- Broadband through Hybrid (DOCSIS 2/3 & GPON) Network
- Migrating to Unified Devices

3

Systems & Processes

- OYC Subscriber Management System
- Conax CAS
- SAP Based systems
- Uniform commercial policies

4

Strategic Alliances

- SITI- DITTO; In-House OTT Platform
- VNO tie up with BSNL to provide Broadband (BSNL holds 62%+ market share in Fixed BB)
- Tie-up with Indian Railways

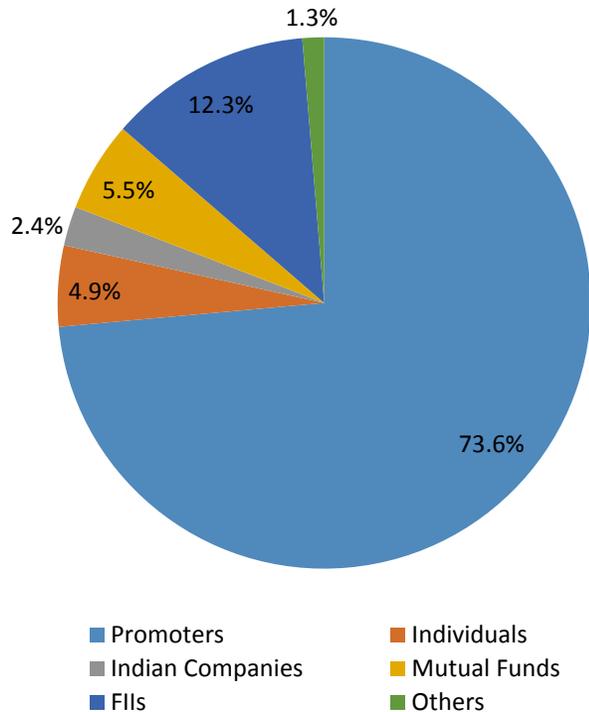
5

Efficient Execution

- Robust corporate governance & compliance
- Professional Management
- Low dependence on Subsidiaries
- Value unlocking: Consolidating MSOs

SITI Networks has a sizeable free float and institutional ownership

Shareholding Pattern 872 Mn Shares



As of 2nd June 2017
Others include HUF, Clearing Members, banks, trusts and NRIs

Key Investors



Hosking & Co.

Foreign
Institutions

ROUTE ONE INVESTMENT CO.



Acacia Partners

Domestic
Institutions



There has been fund infusion of INR6800 Mn by Promoters through OFCDs & Convertible Warrants in Last 1 year

Strategy

Video Strategy



Increasing Monetization



Business Expansion



Increasing ARPU



Margin Expansion



Best Customer Experience

SITI well positioned to benefit from implementation of Tariff Order

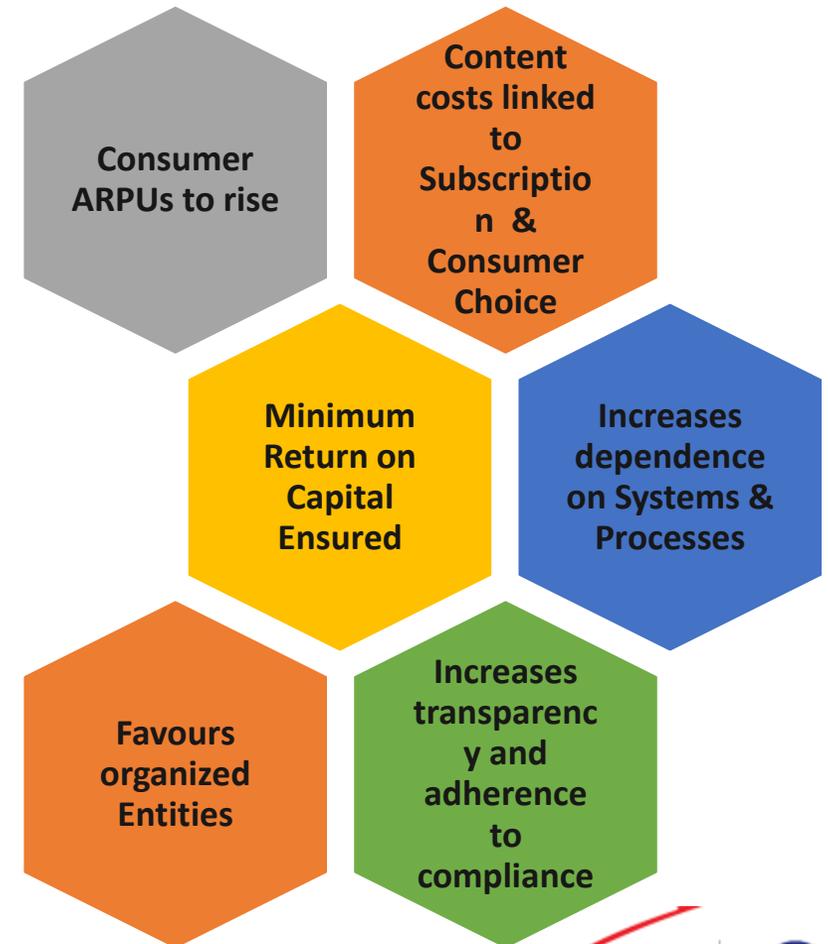
Implementation of the network distribution model will shift the balance of power in favour of Distribution

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
- 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





Broadband Strategy: Enablers



High Speed Broadband Network

Optimized Network layout , Unlimited Plans , Attractive Price



Unified Device (Modem + Wifi Router + OTT + IoT)

Convert any TV to Smart TV, with non-linear Content overlay



City Wide Wi-Fi

Un-fix the Broadband....carry it across the City, Single Sign-on



Unified Mobile App

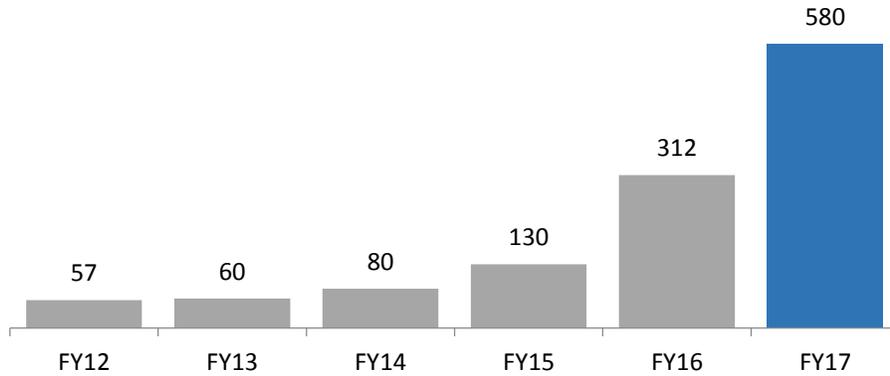
Horizontal Aggregation across categories, Enhanced User Engagement



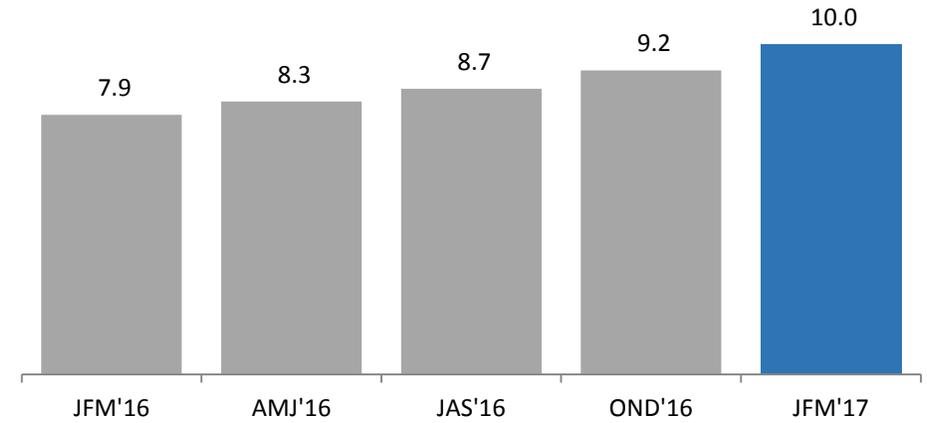
Financials & Operating Metrics

Cable: Consistent improvement

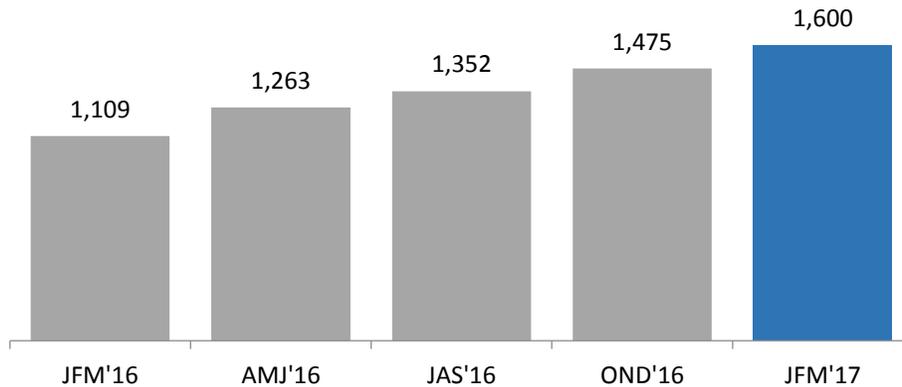
A PAN India Presence



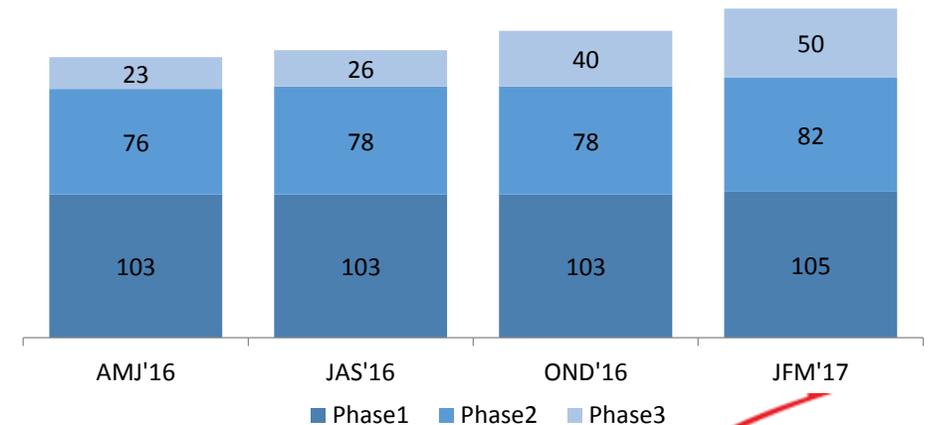
Digital Subs (Mn)



Subscription Income (INR Mn)

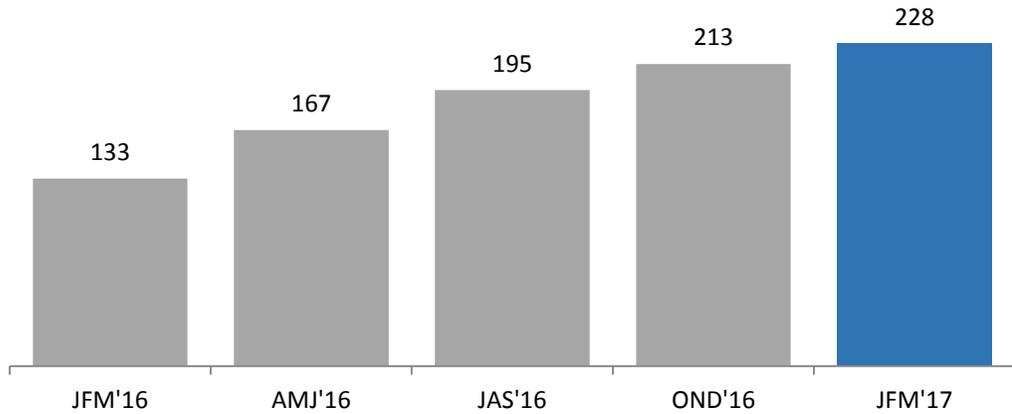


ARPU (INR)

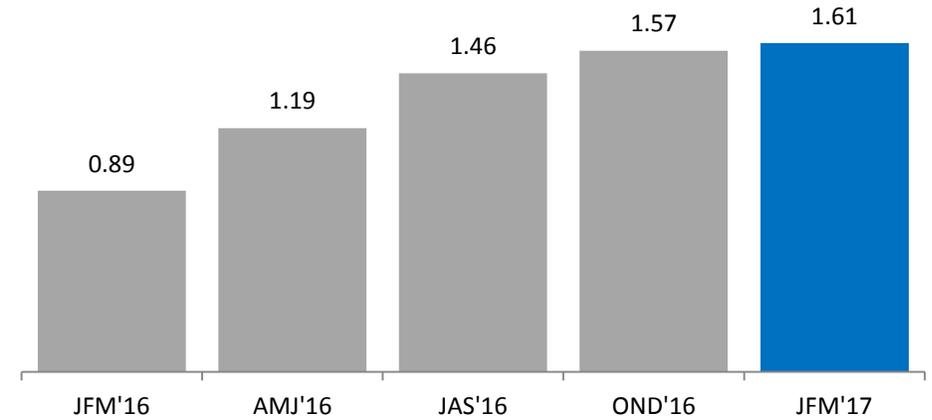


Broadband: Growing Strongly

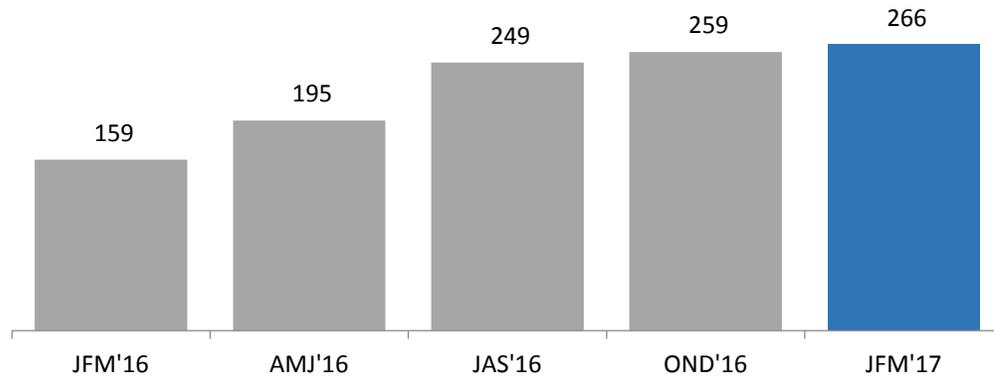
Broadband Subscribers (000's)



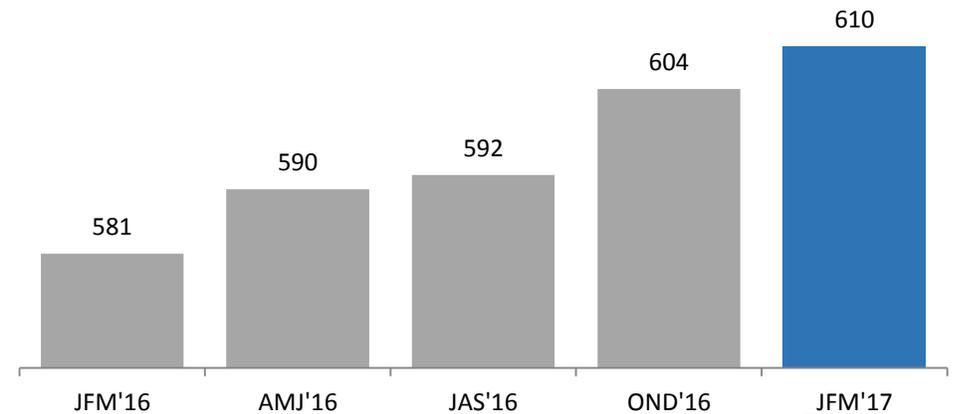
Broadband Home Passes (Mn)



Broadband Income (INR Mn)

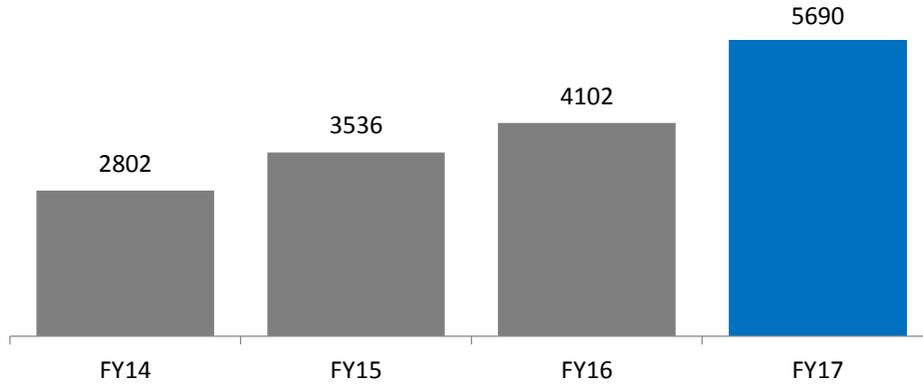


ARPU (INR)

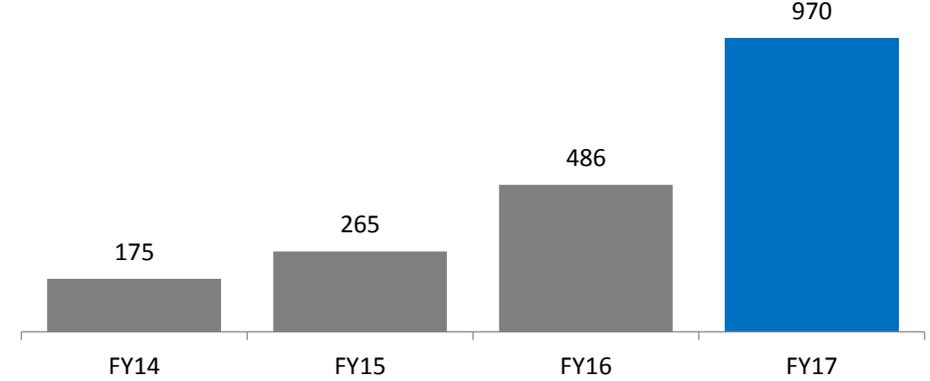


FY Trends

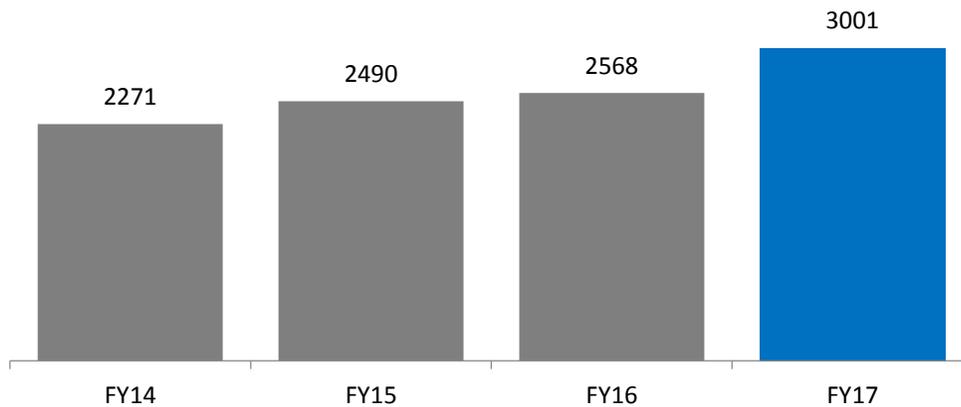
Video Subscription (INR Mn)



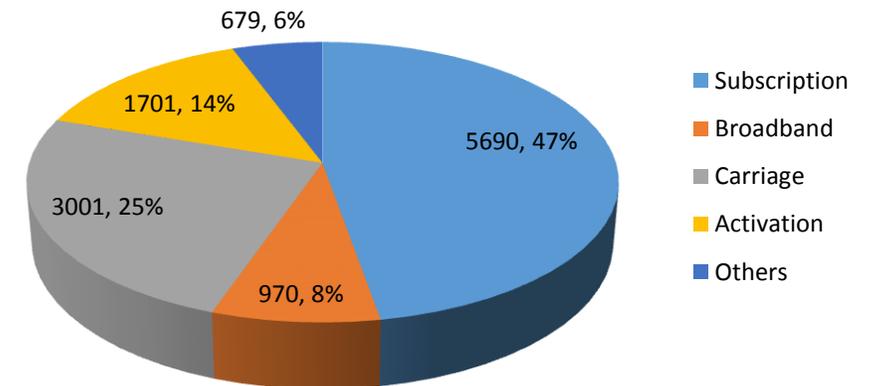
Broadband (INR Mn)



Carriage (INR Mn)



FY17 Revenue Split (INR Mn)



Consolidated Audited Balance Sheet

(INR Lakhs)	2017	2016
A. Assets		
1. Non-current assets		
(a) Property, plant and equipment	1,40,433.0	1,10,128.9
(b) Capital work-in-progress	41,109.4	51,131.3
(c) Goodwill	5,825.8	6,246.8
(d) Other intangible assets	24,880.1	22,488.0
(e) Intangible assets under development	1,809.1	2,718.7
(f) Financial assets		
(g) Deferred tax assets (net)	58.8	211.3
(h) Other non-current assets	4,474.8	429.2
2. Current assets		
(a) Inventories	929.3	1,178.9
(b) Financial assets		
(c) Current tax assets	460.0	797.2
(d) Other current assets	15,982.0	23,653.6
Total assets	3,13,973.5	2,93,273.7
B. Equity and liabilities		
Equity		
(a) Equity share capital	8,726.7	7,947.7
(b) Other equity	45,006.1	49,176.9
(c) Non-controlling interests	9,204.4	7,834.0
Sub-total - Equity	62,937.2	64,958.6
1. Non-current liabilities		
(a) Financial liabilities		
(b) Provisions	784.5	607.9
(c) Deferred tax liability (net)	1,196.1	343.4
(d) Other non-current liabilities	12,188.6	5,642.3
Sub-total - Non-current liabilities	1,37,771.0	1,09,517.3
2. Current liabilities		
(a) Financial liabilities		
(b) Other current liabilities	17,629.2	9,301.0
(c) Provisions	1,617.9	675.2
Total equity and liabilities	3,13,973.5	2,93,273.7



Thank You
