

SITI Networks Limited

Formerly known as SITI Cable Network Limited

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

www.sitinetworks.com

Q1FY18 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.



Contents

Slno	Section	Pg no
1	Industry Overview	4
2	Company Overview	13
3	Strategy	22
4	Financials & Operating Metrics	26



Industry Overview

Size of Digitization Opportunity

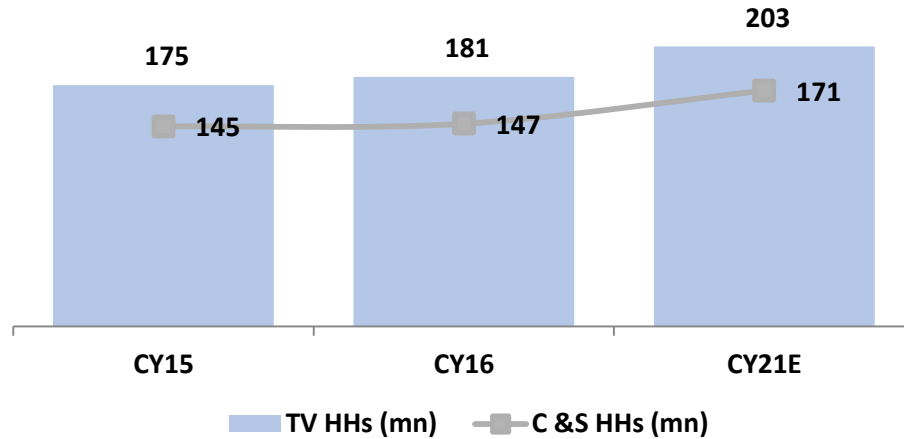
Subscriber Universe, 193 Mn TV Universe				
	Phase 1 (18 mn)	Phase 2 (22mn)	Phase 3 & Contiguous areas (48mn)	Phase 4 (105mn)
Implementation Date	31 st Oct 2012 (Delhi and Mumbai) 15 th Feb 2013 (Kolkata)	31 st Mar 2013	31 st Jan 2017	31 st March 2017
DD Terrestrial, Free Dish, & IPTV	1	1	7	18
Cable (Mn)	Digital	26	31	12
	Analog	-	-	46
DTH (Mn)	12		10	29

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

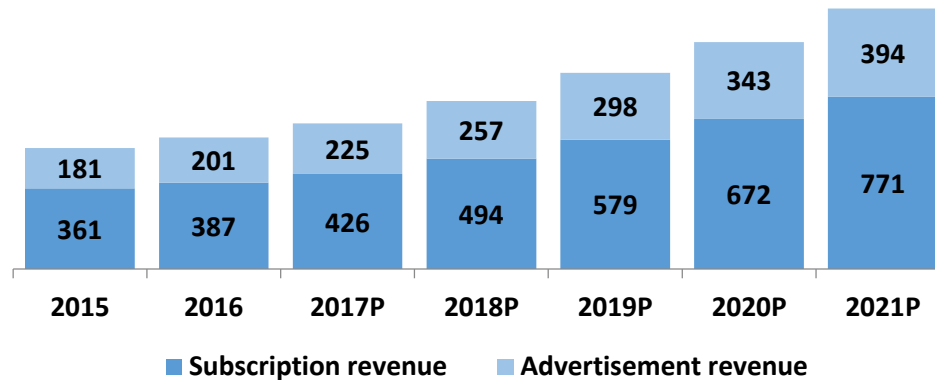
- ❖ Strong Legal & Regulatory control frame work to support digitization. Ministry of I&B and TRAI closely monitoring developments
- ❖ Digitization mandated by Parliament; Immune to changes in political environment

Pay TV Market Trends

Households Growth Trend



TV Industry size, INR Bn



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

Incremental Revenue addition CY21 vs CY15

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

Source: TRAI, FICCI, In House Research, BARC; C&S refers to C&S subscribers excluding DD Free Dish subscribers; MSOs include 229, which have permanent licences & 952 which have provisional licenses, as of 28th Feb 2017

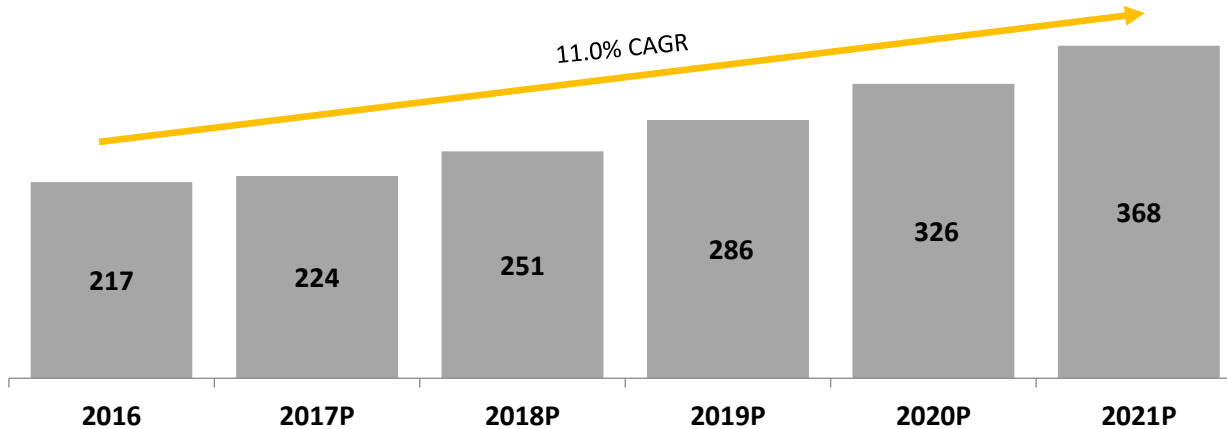


Revenue Construct

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	28



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

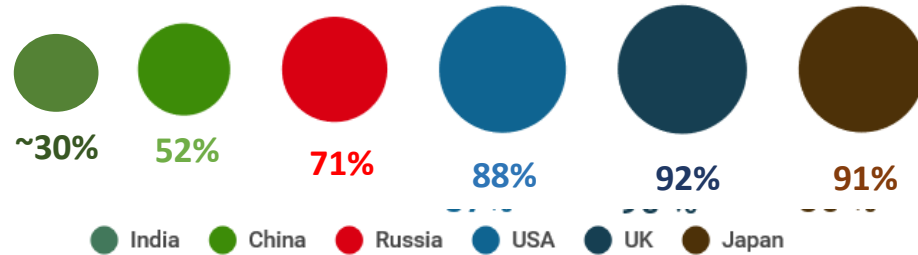


Digital Cable vs. DTH

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
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

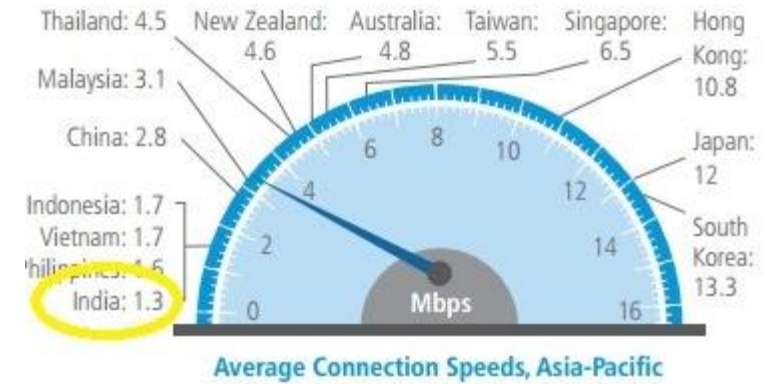
Broadband: India is an opportunity with pent-up Potential!

✓ 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

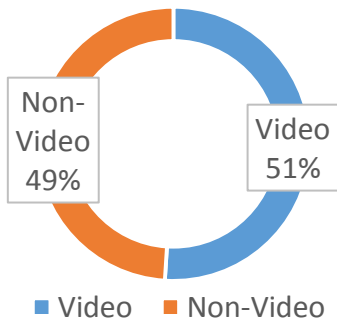


Source : Census 2011

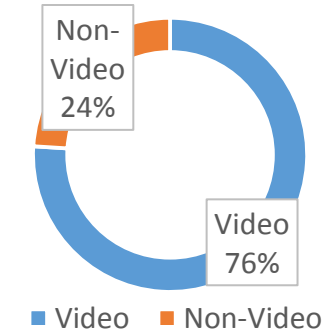
India will follow global pattern of High Video Consumption

Video to be 76% of Usage by 2020

Internet Traffic 2015



Internet Traffic 2020

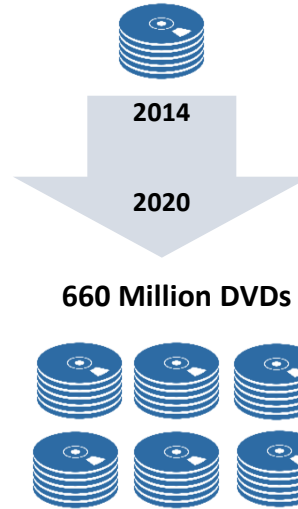


On-Demand video to be 45% of internet video traffic in 2020

...projected to grow 36% CAGR till 2020

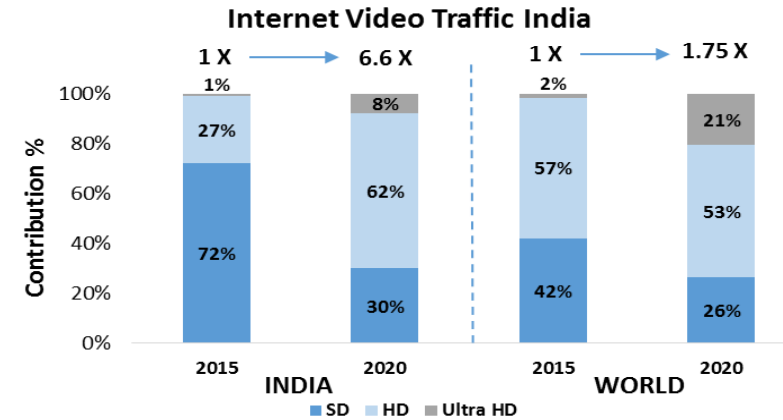
Online Video Consumption Growth

102 Million DVDs equivalent



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

...on a dominant HD Content

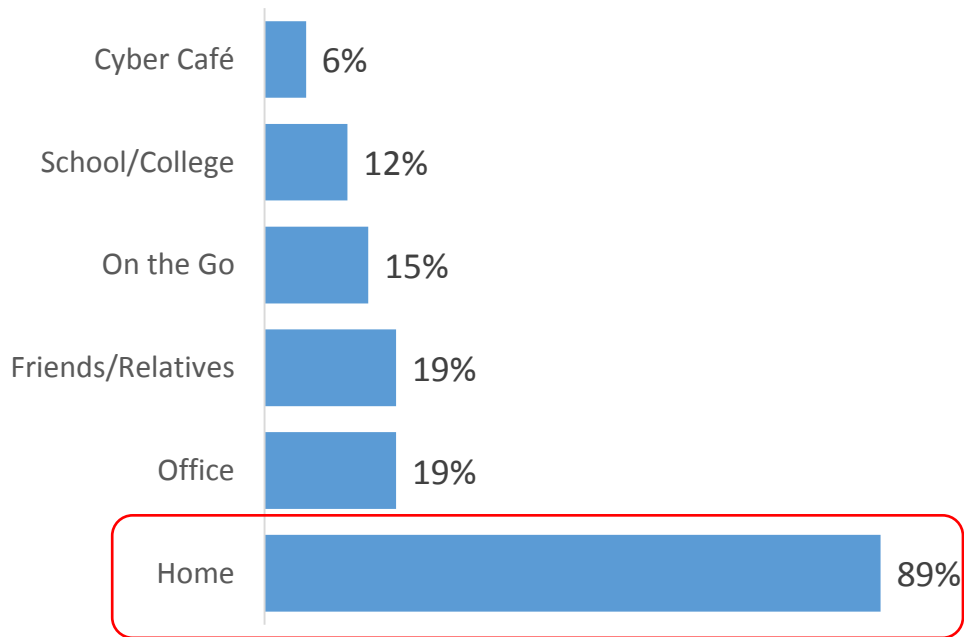


Contribution of HD content is going to go up significantly from 27% to 62% on a 6.6X increase in traffic by 2020

... and High Video Consumption requires High Access Speed

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

Locations of accessing Internet in India



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

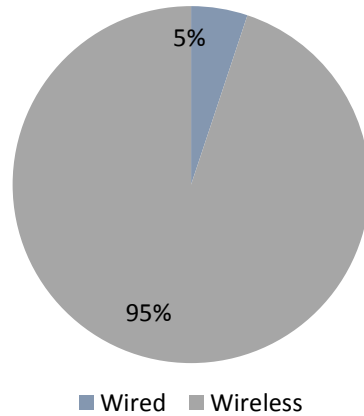
Only Wireline Broadband / WiFi can provide

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



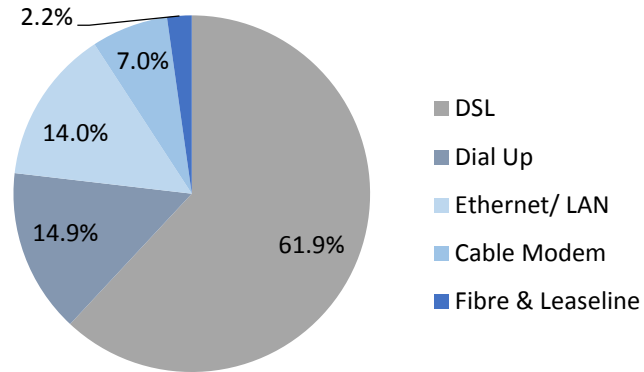
SITI Networks targeting ~20% conversion of base by 2021

India Internet connections

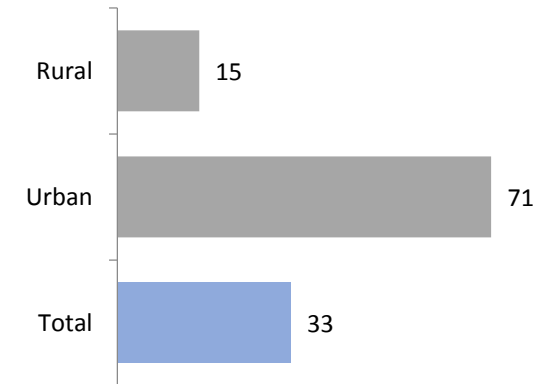


Fixed Wireless includes Wi-Fi, Wi-Max, Radio & VSAT
 Mobile Wireless includes Phone + Dongle

Wireline Subscribers By Technology



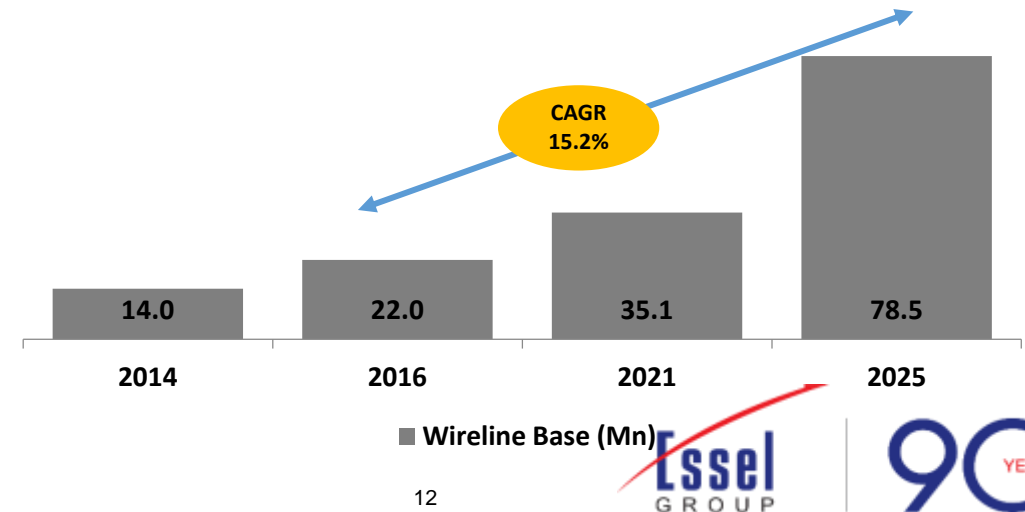
Internet Subscribers per 100 population



Internet Subscribers as on 31 st March 2017 [in millions]			
Category	Narrowband	Broadband	Total Internet
Wireline	3.3	18.2	21.6
Fixed Wireless	0.0	0.6	0.6
Mobile Wireless	142.3	257.7	400.0
Total	145.7	276.5	422.2

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

Wireline Base Growth



■ Wireline Base (Mn)

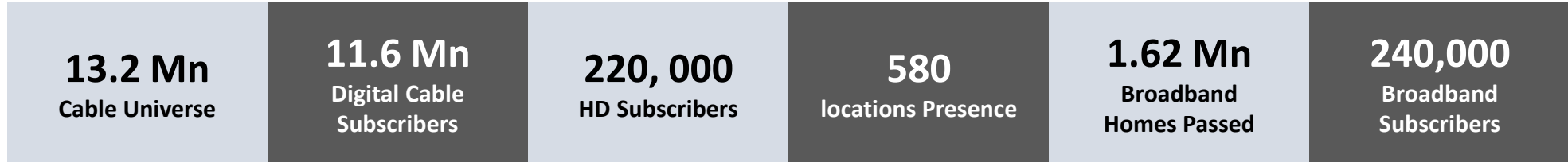




Company Overview

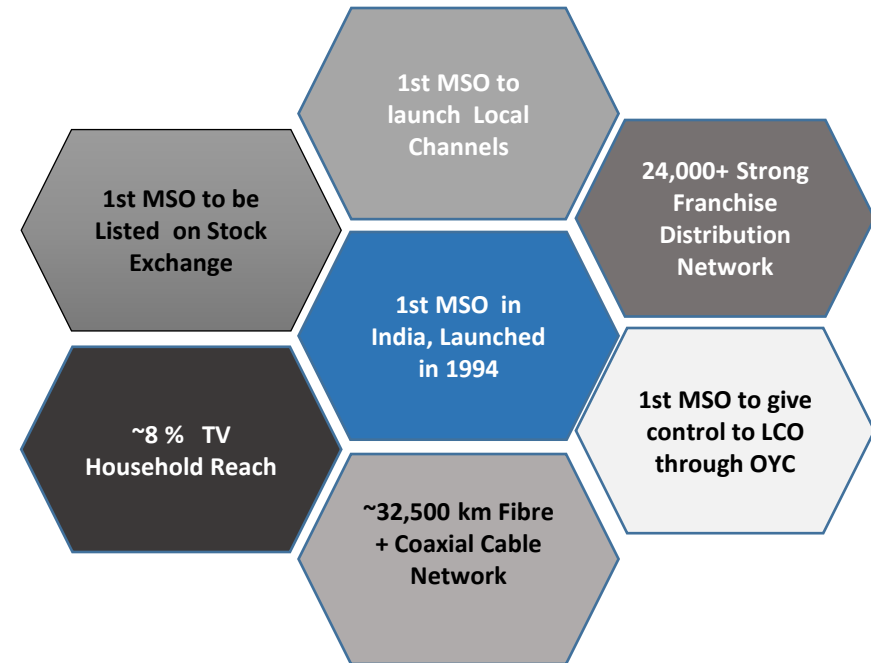
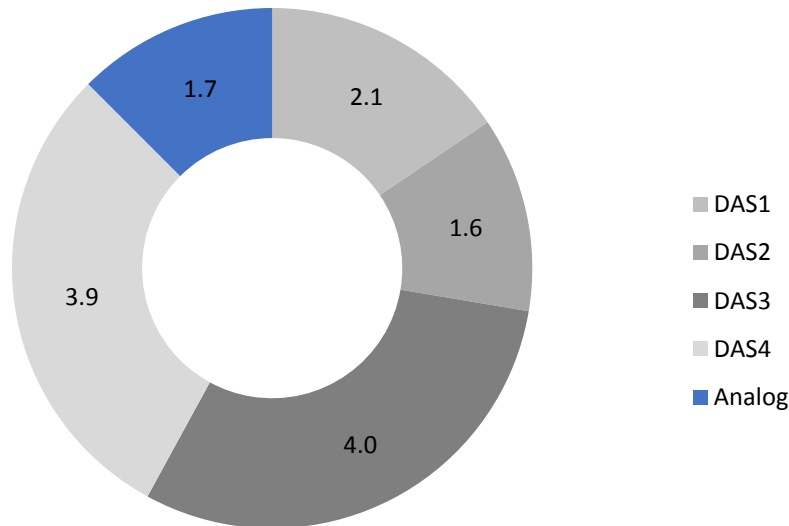


SITI Networks: A Pioneer in Indian Cable TV Distribution



Multi-System Operator (MSO) providing Digital/ Analog Cable TV and Broadband Services

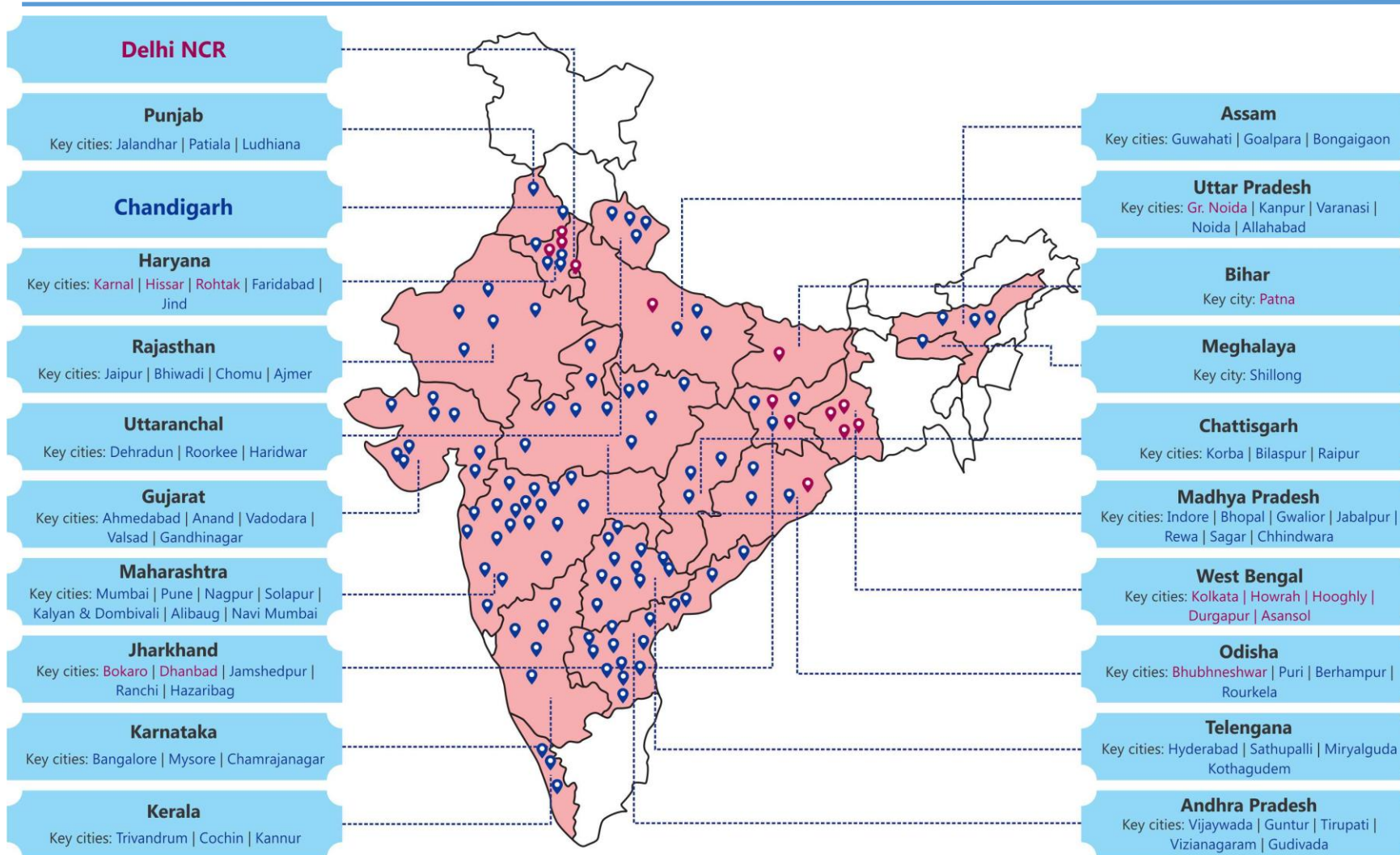
Subscriber Universe (Mn)



All metrics as of 30TH June 2017



SITI Networks: Present across the country



Present in 21 states across ~580 locations

📍 Video
📍 Video & Broadband



On a progressive growth path

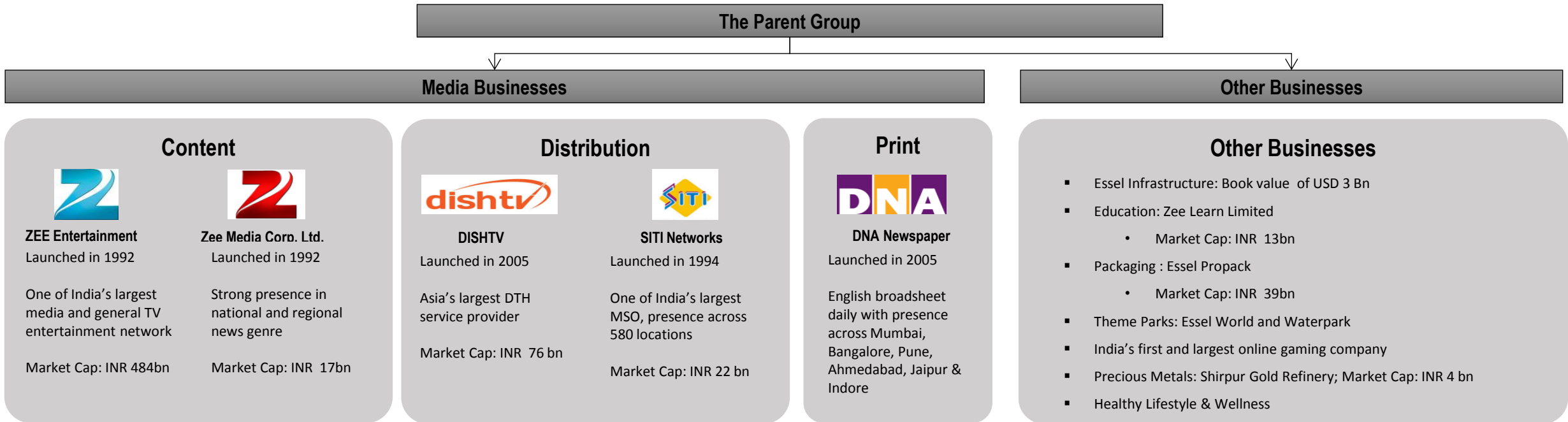
1994	<ul style="list-style-type: none"> ▪ Cable business started by promoters
2006	<ul style="list-style-type: none"> ▪ Wire and Wireless (India) Ltd. Incorporated
2007	<ul style="list-style-type: none"> ▪ Implemented CAS in metros of Delhi, Mumbai & Kolkata ; Listed on the stock exchanges
2008	<ul style="list-style-type: 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 ▪ Fund infusion of INR1500 Mn by Promoters ▪ 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 1.2 mn subscribers on prepaid across 134 locations





Promoter Group - Corporate Structure

- ❑ Launched in 1926, the Parent Group (“Essel Group”) completed 90 years recently; One of India's leading business houses, with a dominant vertically integrated presence in Media and entertainment
- ❑ 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): ~USD10.2 Bn
- ❑ Present in 171 countries, a reach of ~1bn+ viewers; Compelling bouquet of 75 Channels



An Experienced Management Team leads the Company



Mr. Sidharth Balakrishna, Executive Director

Mr. Sidharth Balakrishna has over 13 years of experience in the energy, infrastructure and education sectors. In the past, he has led strategy and headed projects in sectors of oil & gas, renewable energy, education, water and vocational training. Mr. Balakrishna has also been a Senior Strategy Consultant with Accenture and KPMG. He holds an MBA from IIM Calcutta and an Economics degree from the Shri Ram College of Commerce (SRCC), Delhi University. He has also authored several books on a variety of issues.



Mr. Anil Jain: Head- Finance

Mr. Anil Jain has been associated with Essel Group for more than Eight years. He has held several responsible positions in Zee Telefilms, Neo Sports, Zee Turner, Media Pro and Taj Television in his illustrious career of 20+ years. He is an expert on implementation of systems/ processes, subsidiaries management and SAP roll-out for finance processes. He has done CA and is an alumnus of Maharshi Dayanand University.



Mr. Alok Govil, Chief Operating Officer – Video Services

Mr. Alok Govil has over 36 years of Sales, Business Development & Distribution experience across FMCG and Media. He has been a part of Essel Group and has handled various roles within ZEEL. He has a PGDM in marketing and sales management from Faculty of Management Studies (FMS) and a Bachelor of Commerce from Delhi University.



Mr. Ganpat Singh Bhati: Vice President – Credit Control, Subscriber Management, Revenue Assurance

Mr. Ganpat Singh Bhati has been a part of Essel Group for 7 years and he worked at ZEEL heading credit risk management and audit functions. He has been into leadership roles in collection domain with several leading financial institutions like Barclays Finance, ICICI Bank Ltd etc. He has an MBA in Marketing and B.Sc from Punjab University.



Mr. Ashish Bhatia, Chief Operating Officer – Broadband Services

Mr. Ashish Bhatia has over 20 year of experience in Telecom, FMCG & Automobile industries. Prior to joining SITI he was with MTS (Sistema Shyam Teleservices) as HUB Chief Operating Officer Rajasthan & Gujarat. He is a MBA in marketing from SP Jain Institute of Management Research, Mumbai and a B.E in chemical from Nagpur University.



Mr. Mukesh Ghuriani: Chief Technology officer – Video and Broadband

Mr. Mukesh Ghuriani has been associated with Bharti Airtel Limited for over 10 years in various capacities. He has won many awards and accolades for leading the teams there. His last role with Bharti Airtel – Telesonic Networks Limited was as a Vice President of Head Planning and IP Transmission function. He is an MBA in Finance and B.E in electronics and telecommunication from Pune University.

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
- Certain new launches on FTTH

3

Systems & Processes

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

4

Strategic Alliances

- VNO tie up with BSNL to provide Broadband under progress (BSNL holds 62%+ market share in Fixed BB)

5

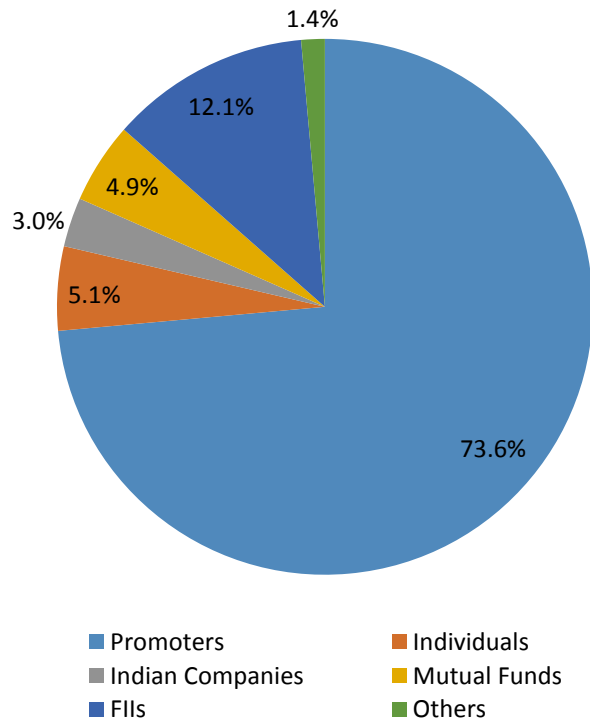
Efficient Execution

- 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 4th August 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 1.5 year



Video and broadband technology infrastructure

- ❖ 15 Digital Headends; Intra-city OFC and Coax Network of ~32,500 Kms covering ~ 580 locations
- ❖ Transport of Digital CATV signals on 1.2 Gbps links across the country; 354 IP Points
- ❖ Hybrid (DOCSIS+ GPON) Technology to offer Cable Broadband services

Digital Headends

Modems

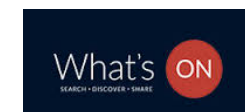
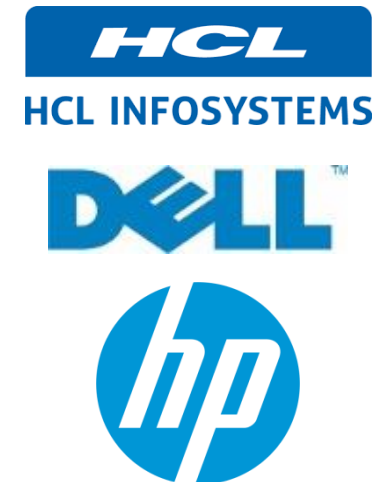
STBs

Chipsets

Servers

CAS, SMS, EPG

Connectivity

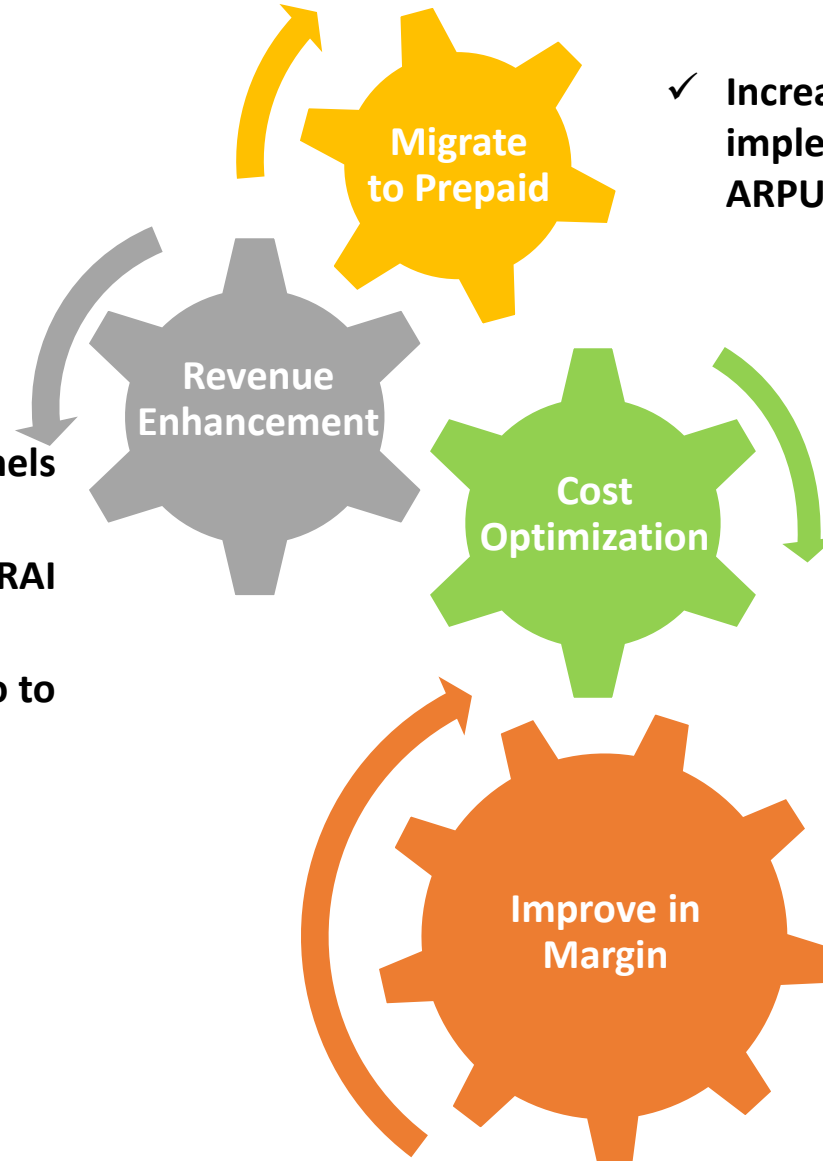


STBs & Modems are depreciated over a period of 8 years in concurrence with Industry Norms

Strategy

Video Strategy

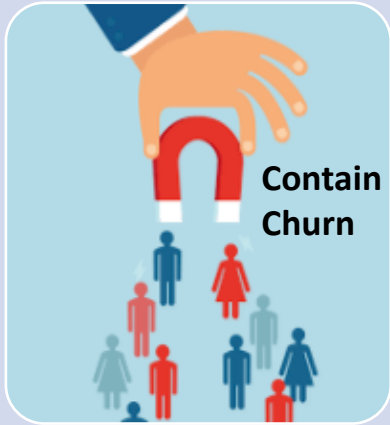
- ✓ Monetize significant Phase 4 base
- ✓ Increase HD Subscriber base
- ✓ In process of streamlining AMS channels in order to improve AD Revenue
- ✓ Background work to gear up for TRAI Tariff order is in progress
- ✓ Up-sell Broadband, HD, OTT and Video to customers



- ✓ Increase Collection efficiency by further implementing Prepaid model in high ARPU areas

- ✓ Improve extraction from low utilized IP based locations and exiting non-profitable ones
- ✓ Increase Operational Efficiency
- ✓ Improve Sales Productivity

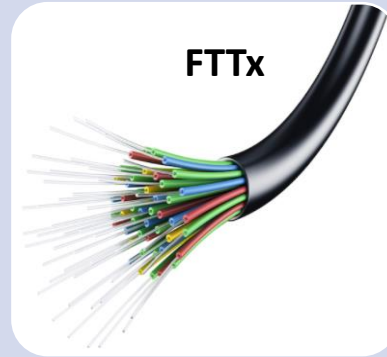
Broadband Strategy



Simplified Plans with focus on long term contracts. Plans come with added benefits to enhance loyalty.



Design and offer new plans with higher speeds and higher data allowance based on changing consumer preference.



Adoption of FTTx technology @1Gbps speed to improve customer experience with feature-rich services.



Next-Gen product on digital convergence expected to be launched soon



SITI Neighbourhood WiFi to complement existing users to experience SITI broadband service outside their homes.

SITI well positioned to benefit from implementation of Tariff Order

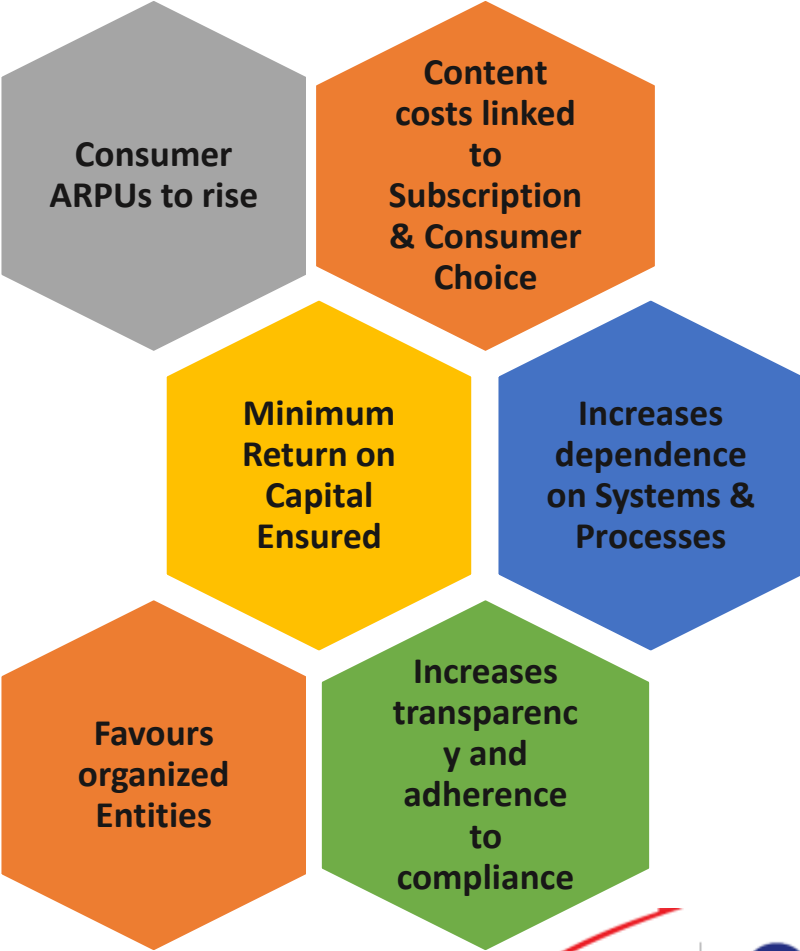
Implementation of the network distribution model will shift the balance of power in favour of Distribution

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

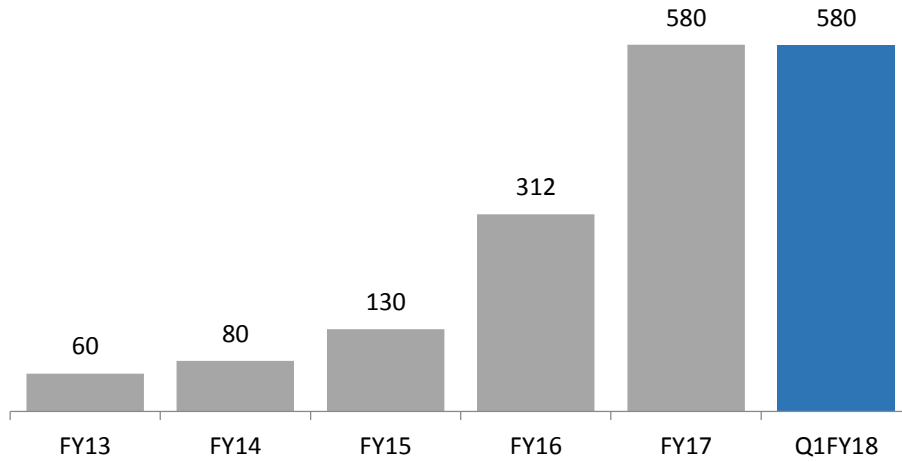




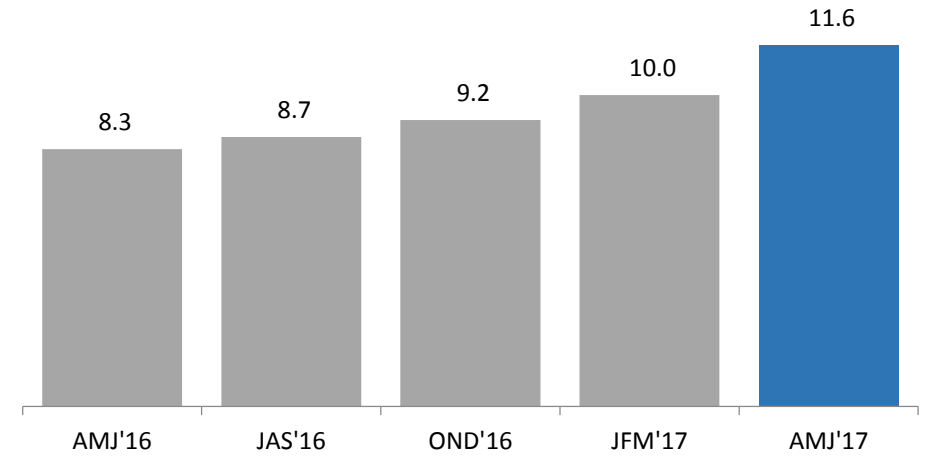
Financials & Operating Metrics

Cable: Consistent improvement

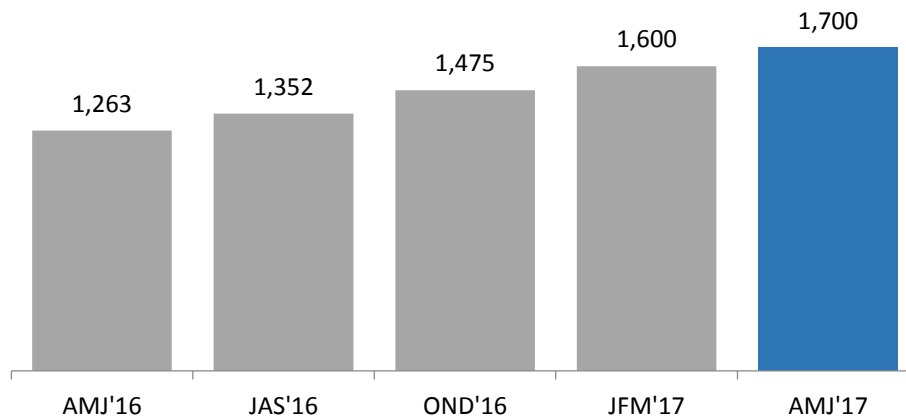
A PAN India Presence



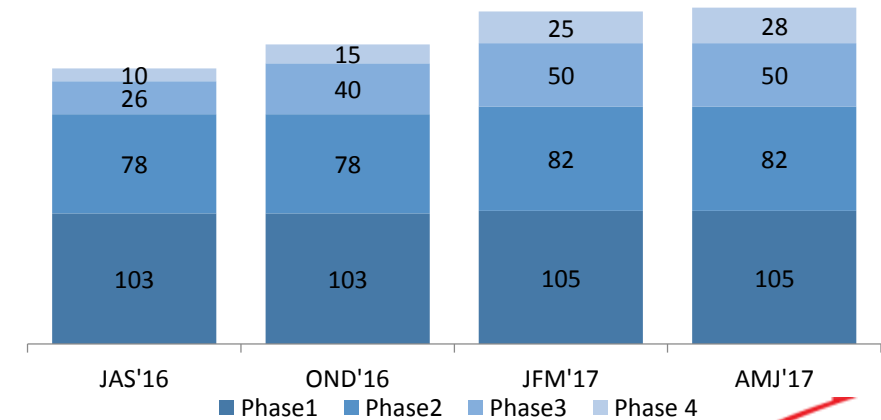
Digital Subs (Mn)



Subscription Income (INR Mn)



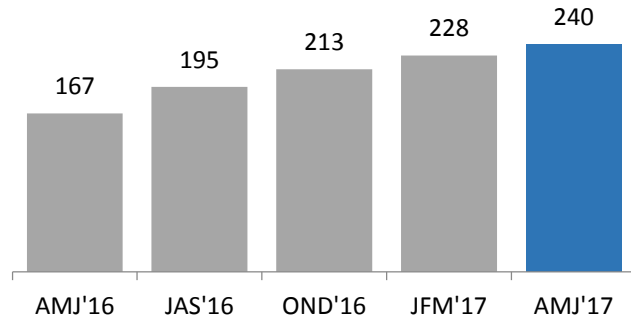
ARPU (INR)



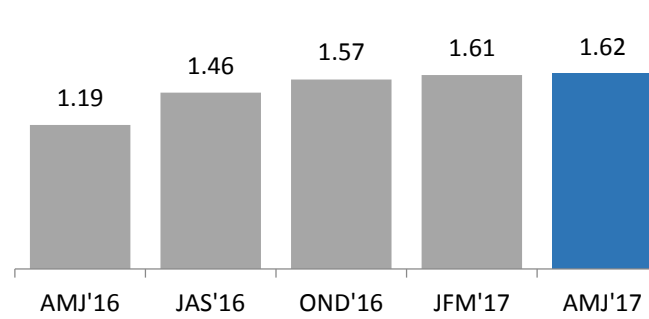


Broadband: Steady Growth

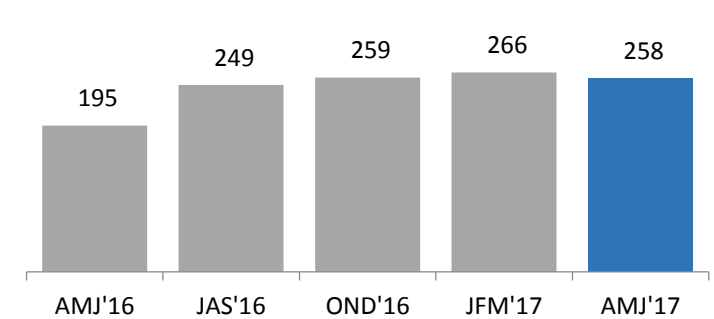
Broadband Subscribers (000's)



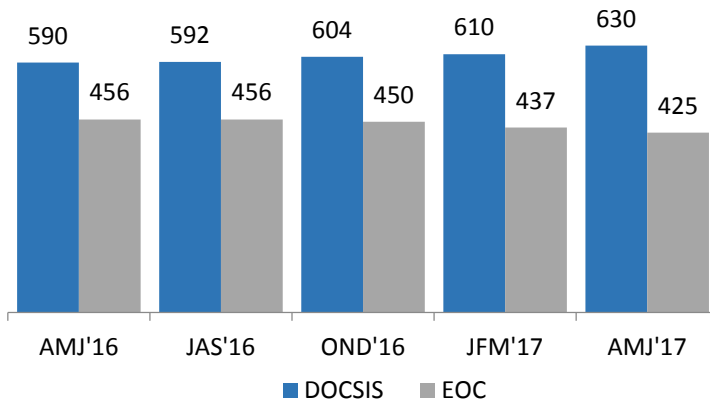
Broadband Home Passes (Mn)



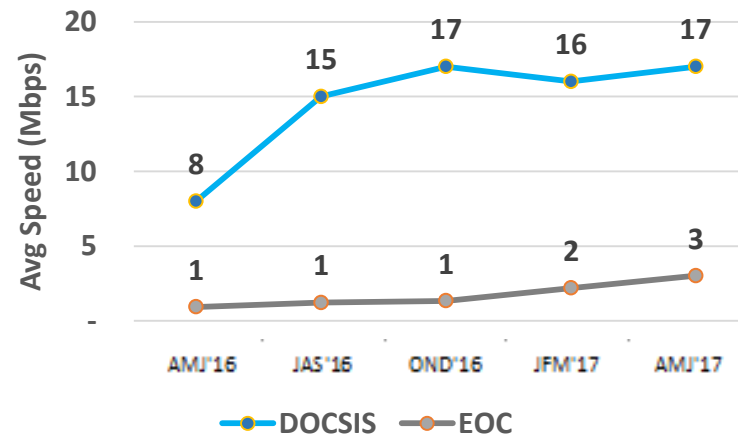
Broadband Income (INR Mn)



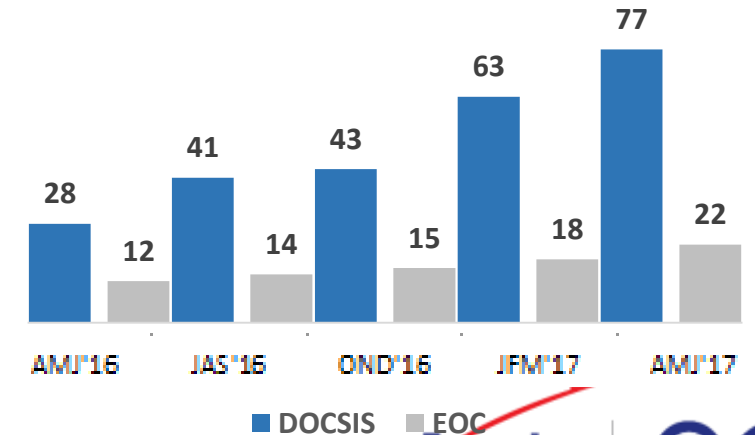
DOCSIS ARPU improving QoQ, while EOC ARPU is under pressure



Customers shifting towards higher Speed plans (Mbps)



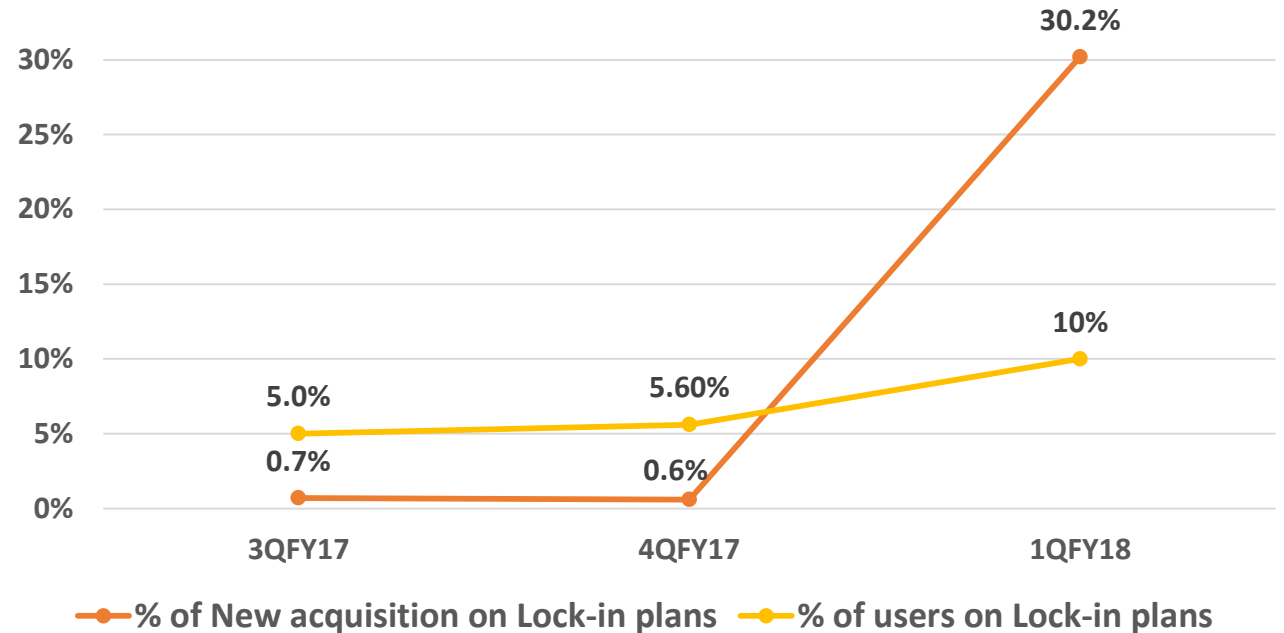
Significant Data uptake, GB/ Sub on both DOCSIS & EOC model



Broadband: Q1FY18

- Increased share of customers on **lock-in plans** to reduce churn. As of end-June, 30% of new acquisitions were on lock-in plans as of June 2017
- **Price Laddering** accrues significant increase in New Acquisition ARPU (calibration of Rent-GBs-Speed)
- This has resulted in **increase in mid-to-high ARPU** customer base (subscribed to plans starting Rs.600 and above)

Uptake of Lock-in Plans*

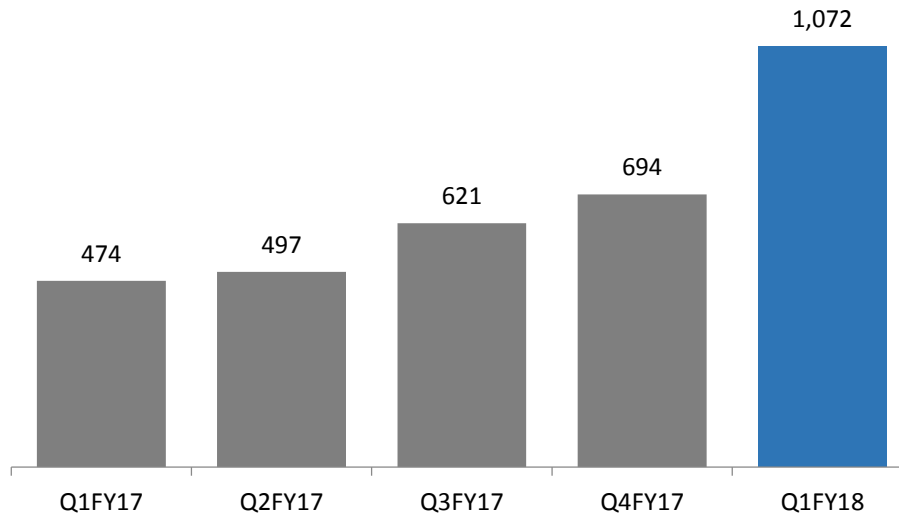


ARPU Split*	3QFY17	4QFY17	1QFY18
Low ARPU users (<Rs600)	48%	47%	42%
Mid-to-High ARPU users (> Rs600)	52%	53%	58%

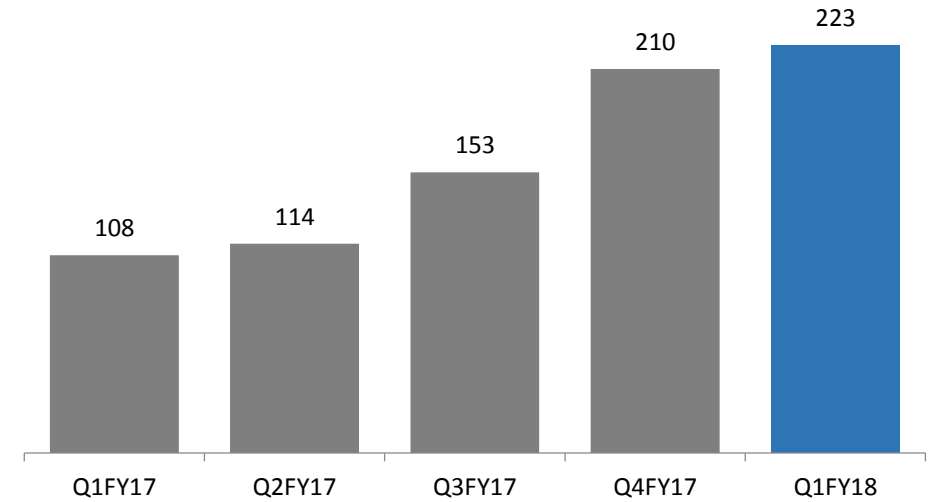
* Data for DOCSIS subs base

Improving Operational Performance sequentially (Consolidated)

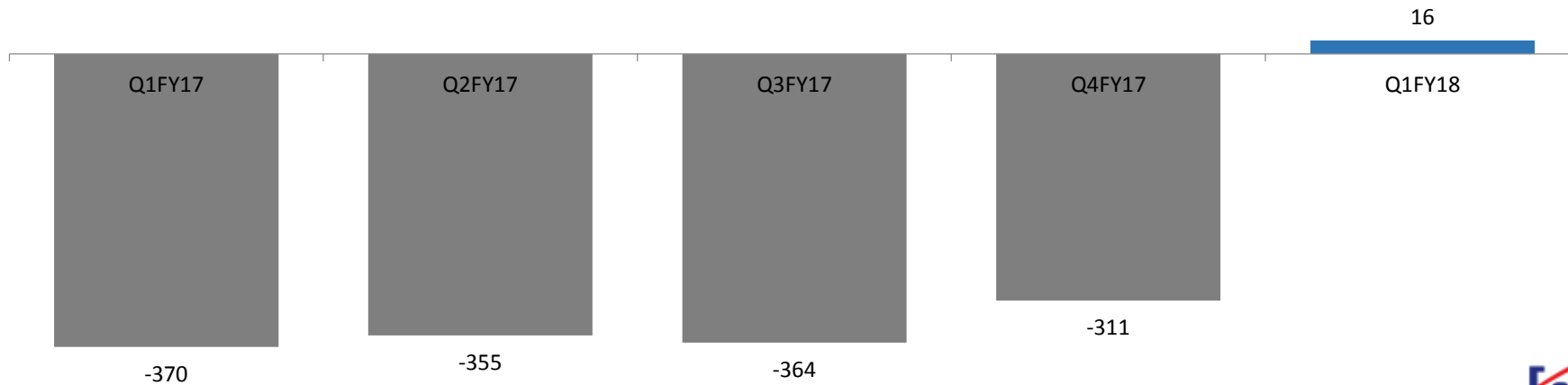
EBITDA (INR Mn)



EBITDA - Net of STB Activation (INR Mn)

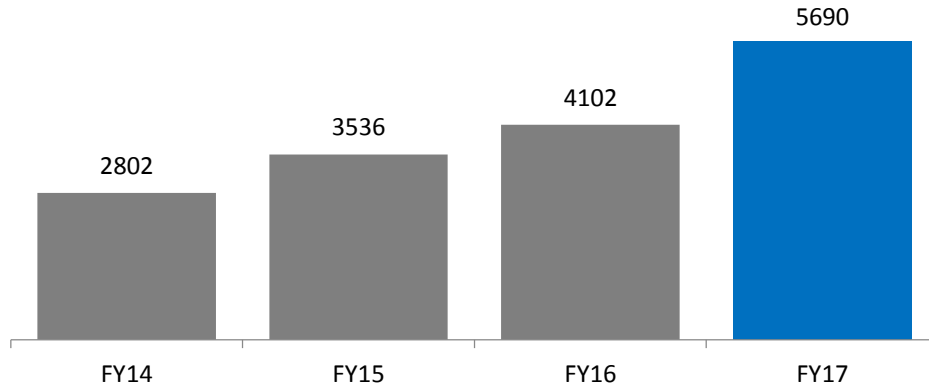


Profit Before tax (INR Mn)

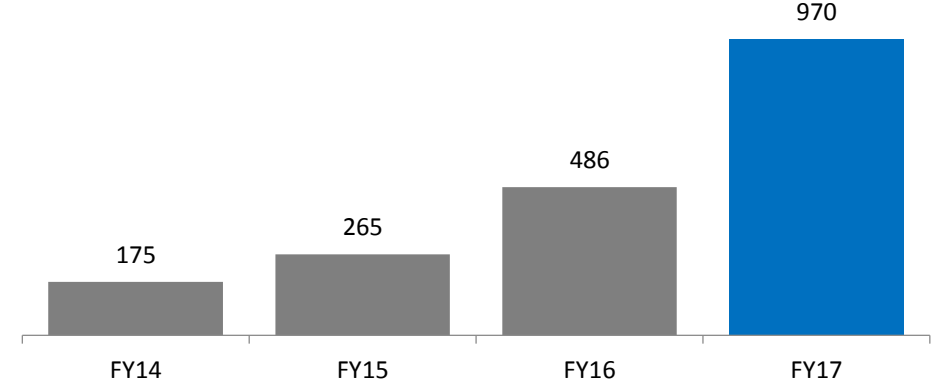


FY Revenue Trends

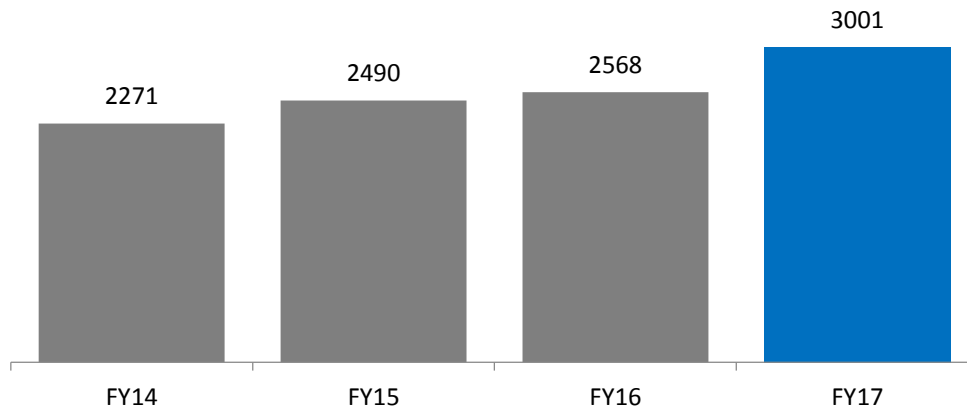
Video Subscription (INR Mn)



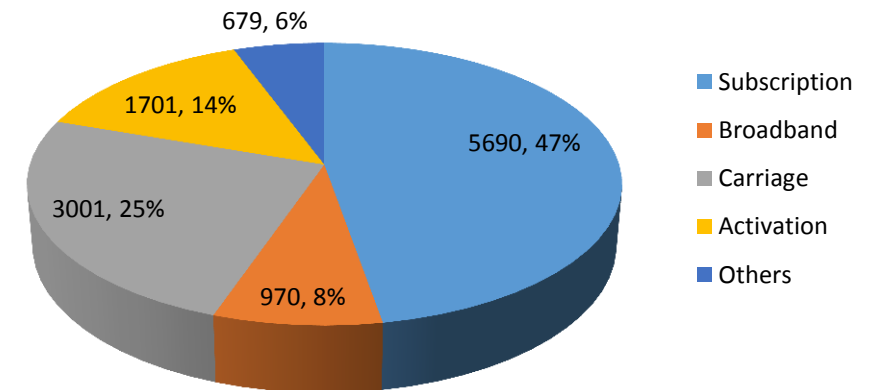
Broadband (INR Mn)



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

“SITI continues to hold a strong position in the market with record customer additions. We are well positioned to monetize this base from Q2 onwards and maintain a strong growth trajectory

In Broadband, we will selectively expand our offerings and drive increased customer focus.

We are also making significant efforts to strengthen processes and optimise costs going forward, while also enhancing customer offerings. This along with a focus on certain revenue streams could potentially provide upsides going forward”

Sidharth Balakrishna, Executive Director



Thank You
