

Switching on
the digital
revolution

DENTM
DEN Networks Limited



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Corporate Information

Board of Directors

- 1 **Mr. Sameer Manchanda**, Non Executive, Chairman
- 2 **Mr. Raghav Bahl**, Non Executive, Director
- 3 **Mr. Shahzaad Siraj Dalal**, Nominee Director
- 4 **Mr. Krishna Kumar P. T. Gangadharan**, Alternate Director to Mr. Shahzaad Siraj Dalal
- 5 **Mr. Ajaya Chand**, Non Executive, Independent Director
- 6 **Mr. Robindra Sharma**, Non Executive, Independent Director
- 7 **Mr. Atul Sharma**, Non Executive, Independent Director

Chief Financial Officer

Mr. Rajesh Kaushal

Company Secretary

Mr. Jatin Mahajan

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Registrar & Share Transfer Agent

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Accelerating the market's evolution towards the full digital revolution

Led by India's strong economic growth, the last few years have seen the television set and cable television services, once viewed as a luxury, become a necessity for all Indians across income groups and geographies. There are more cable & DTH subscribers in India today than even in a large and mature market like the United States.

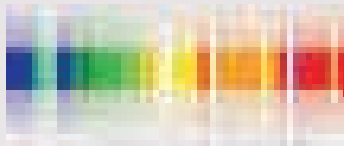
Cable TV services in India, which have grown spectacularly over the last two decades, started seeing the winds of change a few years back. DEN was born and that began an era of transformation.

DEN, led by a team of the Indian cable and TV distribution industry's veteran professionals, believed in consolidation as a driver of that transformation, which would benefit the various stakeholders of the industry. Today, the Indian cable industry has caught on to this theme and is moving towards greater consolidation.

Digitalisation is the next revolution which has just started unfolding. Digital TV delivers not just better services to the discerning Indian consumer, but also greater choice to satisfy their growing demand for more channels and richer content. DEN's digital cable service, with its easy to use interactive features and feature-rich set of applications delivers the kind of television viewing experience that India's aspiring consumers want.

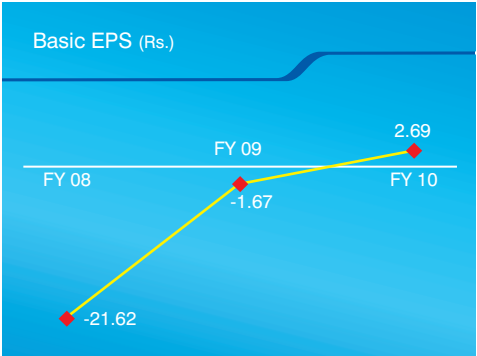
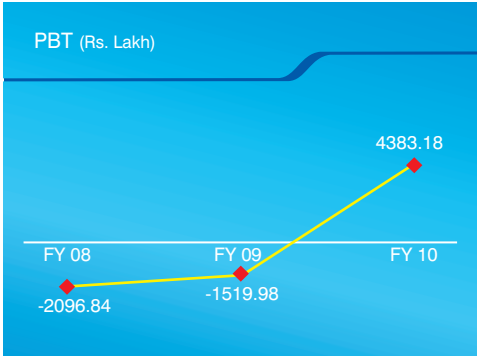
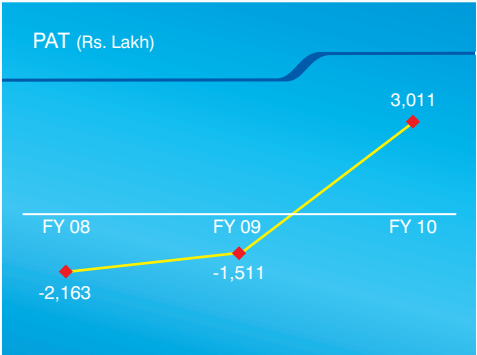
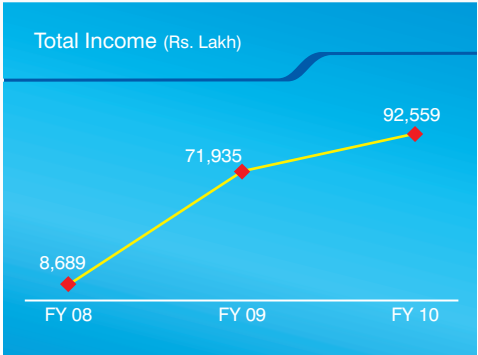
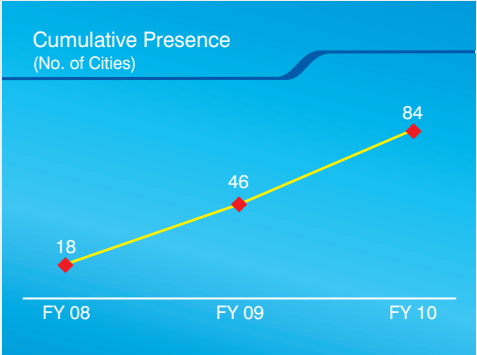
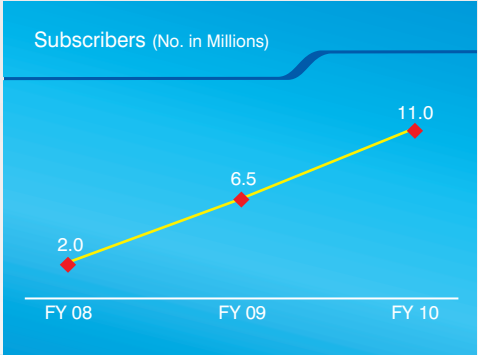
Innovation – a way of life at DEN – has seen the emergence of such features as 'blog.telly', India's first micro blogging service on television and a multi-genre, multi-channel digital music offering.

This is just the beginning of our journey. The road ahead holds the promise of exciting new possibilities as we grow, mature and transform everything that we step into and in the process, create consumers' and stakeholders' delight.



Key Financial Data

Particulars	FY 10	FY 09	FY 08
Total Operating Income (Rs. Lakh)	92,559	71,935	8,689
EBITDA from Operations (Rs. Lakh)	10,619	1,263	-1,918
Profit before Tax (Rs. Lakh)	4383.18	-1519.98	-2096.84
EPS (basic)(Rs.)	2.69	-1.67	-21.62
Share Capital (Rs. Lakh)	13,049	2,212	2,132
Reserves & Surplus (Rs. Lakh)	61,053	23,220	19,380
Loan Funds (Rs. Lakh)	17,501	11,908	2,026
Net Block (Rs. Lakh)	24,141	18,147	5,307
Net Current Assets (Rs. Lakh)	34,146	4,900	1,746
Return on Average Net Worth (%)	9.76%	-7.49%	-11.14%
Debt Equity Ratio (x)	0.24	0.54	0.10
Current Ratio (x)	2	1.2	1.2





Paving the Way Forward for the Indian Cable Industry

Consolidation and digitalisation are transforming the Indian TV distribution industry. Players who are able to seize today's opportunities will stand out as tomorrow's winners. DEN's growth rides on these twin waves of consolidation and digitalisation, even as it looks out for innovative opportunities that can deliver further growth and value.

DEN's growth has been driven by a surge of consolidation over the last few years. DEN's affiliate count has grown to 83 and its presence, to 84 cities, and it serves approximately 11 million households – all this in less than 3 years since its birth.

Digitalisation, a steadily growing phenomenon in India since the emergence of DTH, has been given a concerted regulatory thrust with the TRAI's recommendations on staged conversion of the entire Indian television market to digital by 2013. Such a move is likely to take the pace of digitalisation to the next level and revolutionise how Indians view their television experience. DEN, with a growing base of digital cable subscribers, will be one of the leading drivers of this revolution.

However, we have travelled only a part of this journey. There is still a long way to go before the industry is truly transformed, but with the best team and the best technology partners, we are well positioned to make the most of the opportunities as they come.



What is driving consolidation?

The entry of Direct to Home (DTH) a few years back and growing awareness of the digital viewing experience picked up momentum and indicated to cable market participants that the time for consolidation of this highly fragmented industry had arrived. Without the access to large pools of funding required to build a digital service and transition to the next level, most cable operators were facing an uncertain future. Consolidating with large, professional companies that had the technological expertise and the capability of raising large amounts of funding became a logical choice for most of these companies.

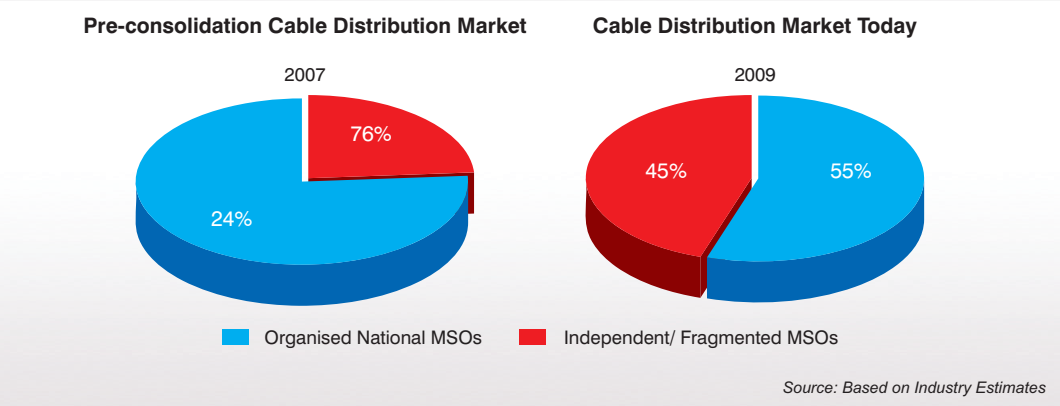
Moreover, the government and regulators have been leaning towards digitalisation for some time. Any policy move, like the recent TRAI recommendations, will further accelerate the conversion to digital.

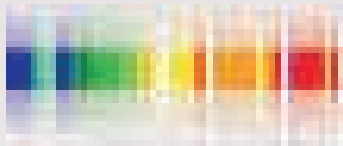
Leading the Next Big Wave of the Indian Cable Industry

The Indian television broadcasting market has grown several times with the entry of new channels spanning mass and niche genres. Today, there are an estimated 500 channels being beamed in India, even though most cannot reach consumers due to the capacity constraints of analogue cable.

The preceding telecom wave had led to the extensive networking of the length and breadth of the country with optical fibre. A vast percentage of this capacity was available for the transmission of digital TV signals.

Digital cable provided the possibility of carrying as many as 1,000 channels. This can open up the market to new themes and ideas such as niche and special interest channels. With the added potential of two-way communications, such a network could also bring true interactivity to end consumers and perhaps in the future, introduce triple play offerings that combine video, data and voice over the same connection.





Letter to Shareholders

Dear Shareholders,

The year gone by was a remarkable year for DEN Networks Limited, as it went from strength to strength and solidified its position as India's leading Company in the cable television distribution industry.

Your Company was formed less than three years ago with the vision to transform India's cable TV distribution industry and offer the latest and best in consumer offerings. Your Company has always held the belief that consolidation of India's highly fragmented cable distribution industry is the way forward.

Since its formation, your Company has led a wave of consolidation and has become a leading player in each of its markets. In less than three years, DEN has become India's one of the largest cable distribution company, currently estimated to be serving approximately 11 million cable homes across India.

The entry and rise of DTH was a landmark event in the Indian TV distribution industry. While cable TV served India's towns and cities, the entry of DTH further expanded the reach of television by expanding its reach to cable dark areas such as vast swaths of rural India and hill stations (locations cable TV connections cannot easily reach). Yet, over this same period, cable subscribers grew significantly, expanding to a base of over 85 million households. Cable remains the dominant TV distribution platform in the country and most estimates indicate that it will remain so in the years ahead.

Your Company also established itself as a leading player in the TV distribution segment through Star DEN, its pioneering 50-50 joint-venture with the Star TV Group. Star DEN is the leading TV distribution Company in India and houses several of India's top channels across genres.

Your Company has also changed the perception of the industry by bringing in the best management team, introducing global best practices and implementing high standards of corporate governance. When your Company was formed, it assembled what is widely regarded as the best team of cable TV distribution professionals. This has enabled your Company to effectively pursue its growth strategy on several fronts.

Even as we reflect on our achievements till date, we realize that we are standing at an inflexion point in our industry's evolution. Over the past few years, digitalisation has caught on as the most prominent emerging theme in our industry. Digital platforms offer consumers a high quality of service, greater choice of channels and several value added services. Digitalisation is also expected to drive greater addressability within the cable distribution system. The process of converting India's predominantly analogue market to digital is expected to accelerate rapidly over the next few years, driven both by consumer demand and a fillip from regulators.

Your Company is well positioned to champion the growth of digital cable. Since its formation, it has partnered with the world's best technology partners and has invested in superior infrastructure which can support not just an expanding market, but also the demands of digitalisation. Your Company's digital cable offering is widely regarded as one of the best with its easy and interactive user interface (EPG), host of feature rich services like digital music spanning 10 genres and pioneering applications like blog.telly, India's first live micro blogging service on TV.

Your Company received the award of 'The Best Indian Cable TV MSO' at the Indian Telly Awards, 2010.

Building scale, pursuing digitalisation and seeking strategic opportunities that deliver ever greater value shall remain the centerpieces of your Company's future growth strategy. To bolster its resources and drive its ambitious growth agenda, your Company launched its initial public offering during FY 10, the first ever by an Indian cable distribution company.

As we gear up for an even more interesting period in your Company's journey, I take this opportunity to express my gratitude to all our stakeholders - investors, partners, customers, bankers, employees and others - and look forward to your continued support and encouragement in all our endeavours.

Sameer Manchanda
Chairman



“ *Building scale, pursuing digitalisation and seeking strategic opportunities that deliver ever greater value shall remain the centerpieces of your Company’s future growth strategy* ”



Management Discussion & Analysis

ECONOMIC OVERVIEW

Global Economy

2009 proved to be a year of consolidation and recovery for most of the global economies. More and more countries recorded a trend of positive quarterly growth in their gross domestic product. A notable recovery in international trade and global industrial production was also observed during the year. The World Economic Outlook, released in April 2010 by International Monetary Fund estimated the world output to rise by about 4.25% in 2010.

The pace of the recovery, though, was varied – while it was moderate in most of the advanced economies, emerging economies like China and India witnessed far higher growth rates. Money markets reflected a trend of stabilisation and equity markets across the world rebounded strongly. Access to credit, however, still remains difficult for small & medium-size enterprises. Rising public deficits and borrowings in some of the global economies might lead to sovereign defaults, which, in turn, may impact the ongoing emergence from the economic recession.

Indian Economy

Having successfully arrested the impact of the global downturn in the previous year, India's economy continued on the path of growth and

consolidation. This growth was fueled primarily by the Government's stimulus spending and easing of liquidity by the monetary authority in the first half. H2 of FY 10 saw a rise in private demand and the coinciding acceleration in industrial output. The deficient monsoon led to considerable pressure on farm output and this was reflected in food inflation touching record highs during FY 10.

Consolidating faster, India again emerged as the second fastest growing major economy of the world. The revised estimates of Central Statistical Office (CSO) indicated India's GDP growth at 7.4% for FY 10. In the backdrop of earlier estimates predicting a contraction, the agriculture sector managed to achieve a marginal growth of 0.2%. The manufacturing, construction, and 'trade, hotel, transport & communication' sectors contributed more than 50% to the GDP. Importantly, all these sectors showed a sustained growth trend quarter over quarter. This encouraging trend, together with the prediction of a favourable south-west monsoon and accelerated spending on infrastructure development, is likely to help Indian economy return back to the GDP growth range of 8.5-9.0% in FY 11.

INDIAN MEDIA & ENTERTAINMENT SECTOR

Similar to the Indian economy, 2009 was a year of consolidation for the Indian Media & Entertainment (M&E) Industry too. The global financial crisis had brought about a period of slowdown in the industry. The

