

DEN



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Annual Report 2014-15



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CORPORATE INFORMATION

Mr. Sameer Manchanda

DIN: 00015459

Chairman Managing Director

Mr. Ankur Ambika Sahu

DIN: 03623120

Non-Executive Nominee Director

Mr. Shahzaad Siraj Dalal

DIN: 00011375

Non-Executive Nominee Director

Mr. Krishnakumar P.T. Gangadharan

DIN: 00090715

Alternate Director to Mr. Shahzaad Siraj Dalal

Mr. Ajaya Chand

DIN: 02334456

Non-Executive Independent Director

Mr. Atul Sharma

DIN: 00308698

Non-Executive Independent Director

Mr. Robindra Sharma

DIN: 00375141

Non-Executive Independent Director

Mr. Pradeep Parameswaran

Chief Executive Officer

Mr. Manish Dawar

Group Chief Financial Officer

Mr. Jatin Mahajan

Company Secretary & Compliance Officer

Registered office

236, Okhla Industrial Estates, Phase-III

New Delhi – 110 020

Landline: +91- 011- 40522200

Fax: +91- 011- 40522203

Email: investorrelations@denonline.in

M/s. Deloitte Haskins & Sells

Statutory Auditors

M/s. Ajay Kumar Singh & Co.

Cost Auditors

M/s. Pankaj Krishn & Associates

Internal Auditors

Registrar & Transfer Agent

Karvy Computershare Private Limited

Karvy House, 46 Avenue 4, Street No. 1,

Banjara Hills, Hyderabad- 500 034

Landline: + 91- 40- 2342 0815

Fax: +91 -40- 2342 0814

Email: einward.ris@karvy.com

CHAIRMAN SPEECH

Dear Shareholders,

We all continue to be excited with the huge opportunity for the cable & broadband business. With a strong and empowered leadership team, DEN is right there in exploiting this opportunity to maximize shareholder value and we welcome the coming year with Digitization as the focus.

The Indian Economy growth picked up in FY'14-15, inflation markedly declined, and the external position was comfortable, helped by positive policies and lower global oil prices. With a stable government and pro-growth policy reforms, India is expected to drive itself home through more and consistent GDP growth in the subsequent years.

The year 2014 has been a turning point for the media and entertainment industry in India many ways. One of the major highlights in 2014 was the announcement of 'Digital India: A programme to transform India into a digitally empowered society and knowledge economy' by the government. Another trending phenomenon is Internet-Of-Things (IOT) which aims to inter-connect household devices like TV, ACs, Microwaves, Fridge, Cameras etc. to provide remote access and control. All these are signs of a technical revolution and development in India which can be achieved only through Digitization.

The rollout of digital cable STBs in Phases I and II cities is now complete and the stage is set for introduction of new age facilities like channel packaging, online bill payment, HD channels, Broadband etc.

With successful completion of Phases I and II, the roadmap is clear for Phases III and IV. Government support for Digital India provides a conducive environment for timely completion of Phases III and IV. We are adequately prepared and well capitalized for the opportunity and are consolidating operations, setting up business processes and systems, working on STB procurement and putting logistics in place to handle the huge scale STB roll out.

Broadband is another huge opportunity area. Wired broadband connections in the country are expected to grow up from 20 million in 2014 to 32 million in 2019. Globally, DOCSIS (Data Over Cable Service Interface Specification) is the predominant technology used for cable broadband and has higher speed and lower investment advantage over the DSL (Digital Subscriber Line) technologies used by telecom operators which require significantly less investment, but had speed limitations. We have soft launched our high speed broadband services and have crossed 3.3L Homes Passed with ~23,000 broadband subscribers.

We also forayed into TV Shopping and Soccer this fiscal year. TV shopping in India is almost a 4,000-5,000 crore market. Our TV shopping JV between DEN and Snapdeal brings tremendous synergies because we are able to leverage our reach in distribution and our capabilities on the video side to drive the front end activities and Snapdeal's brand merchandising and strong back-end allows state of the art infrastructure. The JV has a reach of more than 25m Homes and has started clocking annualised GMV of more than ~120 Crores.

On the soccer side, DEN, through its wholly owned subsidiary, acquired Delhi Dynamos FC, one of the most popular teams of the ISL with a fan base of over 425,000 (based on Facebook likes) and over 29,000 Twitter followers. The inaugural season of the Indian Super League (ISL) generated huge audience interest with overall season viewership reaching 429 million. The ISL also became Asia's No.1 League and the world's No. 4 League by stadium attendance attracting an average of 26,000+ spectators every match.

I would like to place on record my sincere appreciation to the Board of Directors for their guidance. I would also like to express my gratitude to all our stakeholders for their continuing faith in DEN.

With best wishes,

Sameer Manchanda
Chairman Managing Director

ACHIEVEING MORE TOGETHER

CABLE BUSINESS

#1

Largest Cable MSO in India
(In terms of subscribers base)

13_{mn}

Households Connected with DEN Networks

7_{mn}

Digital Subscribers on DEN Cable Network

1_{mn}

STBs Deployed in FY'15

25%

Market Share in DAS 1&2 Markets
(In terms of subscribers base)

₹77

Blended ARPU per box in DAS 1&2 Markets

BROADBAND BUSINESS

3.3_{Lakh}

Homes Passed for Broadband Services

23_k

Broadband Subscribers using DEN Boomband Services

₹750

Broadband ARPU in PY'15

TV COMMERCE

₹117_{Cr}

Annualised GMV in TV Commerce Business
(on Current Rate)

25_{mn}

Reach of DEN Snapdeal TV Shop

1,312

Average Daily Transactions of DEN Snapdeal TV Shop
(Mar'15)

PERFORMANCE HIGHLIGHTS

| Particulars | Unit | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Consolidated Income Statement | | | | | |
| Revenues | ₹ Crore | 713* | 914 | 1,117 | 1,130 |
| EBITDA | ₹ Crore | 95 | 218 | 302 | 92 |
| PAT | ₹ Crore | 14 | 62 | 38 | (144) |
| Cash PAT | ₹ Crore | 68 | 144 | 185 | 42 |

| | | | | | |
|---|---------|-----|-----|-------|-------|
| Consolidated Statement of Financial Position | | | | | |
| Shareholders' Equity | ₹ Crore | 802 | 875 | 1,856 | 1,710 |
| Cash and Equivalents | ₹ Crore | 293 | 430 | 1,216 | 934 |
| Total Debt | ₹ Crore | 258 | 747 | 1,025 | 996 |
| Net Current Assets | ₹ Crore | 247 | 38 | 726 | 366 |

| | | | | | |
|--|---------|-----|-----|-------|-------|
| Cable Business | | | | | |
| Total Customer Base | Million | 11 | 13 | 13 | 13 |
| Digital Subscribers | Million | 1 | 5 | 6 | 7 |
| Revenues | ₹ Crore | 667 | 868 | 1,056 | 1,093 |
| Revenues (Ex Activation, EX LCO Share) | ₹ Crore | 646 | 723 | 866 | 966 |
| Subscription Income | ₹ Crore | 133 | 176 | 368 | 459 |
| Placement Income | ₹ Crore | 479 | 495 | 465 | 474 |
| Activation Income | ₹ Crore | 20 | 145 | 155 | 64 |
| EBITDA | ₹ Crore | 104 | 214 | 301 | 187 |
| EBITDA (Ex Activation) | ₹ Crore | 84 | 69 | 147 | 122 |

| | | | | | |
|---------------------------|---------|----|----|----|-----|
| Broadband Business | | | | | |
| Homes Passed | Million | NA | NA | 0 | .33 |
| Subscribers | '000 | NA | NA | 4 | 23 |
| Conversion Ratio (In Q4) | % | NA | NA | NA | 6% |

* Revenues netted of with distribution rights costs of INR 429 Cr for distribution business for a like-to-like comparison; the company moved to net revenue recognition effective fiscal 2012-2013.

DIRECTORS' REPORT

Dear Members,

Your Directors have the pleasure in presenting the Eighth Annual Report on the business & operations of your Company along with the Consolidated & Standalone Audited Financial Statements for the year ended March 31st, 2015.

FINANCIAL RESULTS

(Rs. in millions)

| Particulars | Consolidated | | Standalone | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Financial year ended March 31, 2015 | Financial year ended March 31, 2014 | Financial year ended March 31, 2015 | Financial year ended March 31, 2014 |
| Net Revenue | 12,174.52 | 11,749.19 | 9,434.71 | 9,366.16 |
| Operating profit/(loss) before interest, depreciation and taxes | 1,802.24 | 3,493.99 | 714.76 | 1,638.48 |
| Interest | 823.04 | 889.71 | 765.51 | 828.00 |
| Depreciation | 1,859.48 | 1,473.90 | 1,086.79 | 852.14 |
| Net Profit/(loss) before Tax | (880.28) | 1,130.38 | (1,137.54) | (41.66) |
| Provision for taxes/deferred tax | 336.20 | 378.97 | (29.47) | (93.31) |
| Minority interest | 223.73 | 367.42 | - | - |
| Profit/(loss) after tax | (1,440.21) | 383.99 | (1,108.07) | 51.65 |

During the year under review, the total revenue of your Company was Rs. 9,434.71 million on standalone basis and Rs. 12,174.52 million on consolidated basis as compared to the last year's revenue of Rs. 9,366.16 million on standalone basis and Rs. 11,749.19 million on consolidated basis respectively. The Post Tax Loss of your Company was Rs. (1,108.07) million on standalone basis and Rs. (1,440.21) million on consolidated basis as compared to the last year's Post Tax Profit was Rs. 51.65 million on standalone basis and Rs. 383.99 million on Consolidated basis respectively.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on the Accounting for Investments in Associates and Accounting Standard AS-27 on accounting on Joint Ventures, issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements are provided in this Annual Report.

DIVIDEND

Your Directors do not recommend any Dividend for the financial year ended March 31st, 2015.

TRANSFER TO RESERVES

Your Company has not made any transfer to the Reserves during the financial year 2014-15.

OPERATIONAL OVERVIEW

Your Company, one of the largest cable MSOs in India, is laying the foundations of building a powerful Consumer Franchise in Broadband, Cable Television and Television Shopping. Significant investments are being made to bring disruptive consumer offerings to the market.

(i) Cable TV Business

Continuing with plans to digitalize the analog cable subscriber base, DEN seeded additional one million boxes in FY'14-15, taking the digital subscribers base to 7 million out of a total 13 million subscribers. The Company witnessed the positive results on subscription revenues and collections in FY'14-15; our subscription revenues grew 25% in FY'14-15 driven by increase in ARPUs across DAS territories.

(ii) Broadband Business

Launched in FY' 14-15, DEN Broadband Services are now available to 329,000 homes as on March 31st 2015. The benefit of conversions out of the network rollout will come in the following quarters. The Company currently has a subscriber base of 23K at the end of FY'14-15 and 40% of the broadband subscribers come from Non-DEN homes.

(iii) E-commerce Business

DEN entered into a 50:50 JV with e-commerce major, SNAPDEAL and forayed into TV Commerce business leveraging DEN's strengths in distribution and media

and SNAPDEAL's strength in brand, merchandising and logistics. The JV is currently converting +30% of the calls received and is clocking an annualized GMV of INR 115 Crores (at Mar'15 average booked GMV rate) within four months of beginning.

(iv) Club Ownership of Delhi Dynamos FC in Indian Super League

DEN forayed into football business and bought Delhi Dynamos of ISL with the strategic intent of strengthening our consumer brand. Delhi Dynamos FC is one of the most popular teams of the ISL with a fan base of over 419,000 on Facebook and over 30,000 Twitter followers.

SUBSIDIARY COMPANIES

A report on the performance and financial position of each of the subsidiaries, associates and joint venture companies as per the Companies Act, 2013 is provided as annexure to the consolidated financial statement and hence not repeated here for the sake of brevity. The Policy for determining material subsidiaries as approved may be accessed on the Company's website at the link: http://www.dennetworks.com/corporate_gov.htm

PUBLIC DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. The Company has also appointed Ernst & Young to compile / develop the policies and document the financial and IT controls. For each control, a test plan shall be documented and will be tested by the Management Audit Team on periodical basis.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as "Annexure A".

MEETINGS OF THE BOARD

Five meetings of the Board of Directors were held during the year. For further details, please refer report on Corporate Governance forming part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that:

- in the preparation of the annual accounts for the year ended March 31st, 2015, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- the Directors have selected such accounting policies and applied them consistently and made judgments and

estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2015 and of the profit of the Company for the year ended on that date;

- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a 'going concern' basis;
- the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

KEY MANAGERIAL PERSONNEL & DIRECTORS

Pursuant to the provisions of Section 203 of the Companies Act, 2013, Mr. Pradeep Parameswaran was appointed as Chief Executive Officer and Mr. Manish Dawar was appointed as Group Chief Financial Officer of the Company w.e.f. January 16, 2015 and February 10, 2015 respectively. Mr. S.N. Sharma resigned as Chief Executive Officer of the Company w.e.f. September 29, 2014.

In terms of the Articles of Association of the Company Mr. Sameer Manchanda, Chairman Managing Director is liable to retire by rotation and being eligible, has offered himself for re-appointment. The Company has received requisite notice in writing from a member for appointment of Mr. Sameer Manchanda as Director.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges. The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors. The details of programmes for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: http://www.dennetworks.com/corporate_gov.htm

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit & Nomination and Remuneration Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report. The remuneration

of Senior Management is discussed and approved by the Nomination and Remuneration Committee. The Board has, on the recommendations of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

AUDITORS & AUDITORS' REPORT

The term of M/s. Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors of your Company, expires at the ensuing Annual General Meeting. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the prescribed limits as mentioned under Section 141(3)(g) of the Companies Act, 2013 and they are not disqualified for re-appointment. Your Board has duly examined the Report issued by the Statutory Auditors' of the Company on the Accounts for the financial year ended March 31, 2015. The notes on Accounts, as presented in this Annual Report, are self explanatory in this regard and hence do not call for any further clarification. The Auditors' Report does not contain any qualification, reservation or adverse remark.

It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors for a period of three years from the conclusion of Eight Annual General Meeting till the conclusion of Eleventh Annual General Meeting of the Company., subject to Annual ratification by shareholders at every Annual General Meeting.

SECRETARIAL AUDIT

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Neelesh Jain, Company Secretaries in practice of M/s NKJ & Associates to undertake the Secretarial Audit of the Company. The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark. The Secretarial Audit Report is annexed herewith as **"Annexure B"**.

COST AUDITORS

M/s. Ajay Kumar Singh & Co., Cost Accountants, have been re-appointed as Cost Auditors for the financial year 2014-15, to conduct cost audit of the accounts maintained by the Company. Full particulars of the Cost Auditor are as under:

M/s. Ajay Kumar Singh & Co.
1/26, 2nd Floor, Lalita Park, Laxmi Nagar, Delhi-110092
Tel. No. : 011-45595822; Email ID – Info@cmaadvisors.in
(Firm's Regn. No.000386)

Your Board has duly examined the Report issued by the Cost Auditors of the Company on the Accounts for the financial year ended March 31, 2015. The Cost Auditors' Report does not contain any qualification, reservation or adverse remark. Your Company has re-appointed M/s. Ajay Kumar Singh & CO., Cost Accountants as Cost Auditor under Section 148 of the Companies Act, 2013 for Cost Audit for the financial year 2015-16.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The details of the loans, guarantees given and investments made by the Company are given in the Notes to the Financial Statements.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: http://www.dennetworks.com/corporate_gov.htm

Your Directors draw attention of the members to Notes to the Financial Statements which sets out related party disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

EMPLOYEES' STOCK OPTION SCHEME

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme of the Company in accordance with the applicable SEBI Guidelines. The applicable disclosures as stipulated under the SEBI Guidelines as on March 31, 2015 with regard to the Employees' Stock Option Scheme (ESOS) are provided in **"Annexure C"** to this Report.

The issue of equity shares pursuant to exercise of options does not affect the Statement of Profit and Loss of the Company, as the exercise is made not below the market price prevailing as on the date of the grant.

The Company has received a certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the members. The certificate would be placed at the Annual General Meeting for inspection by members.

Voting rights on the shares issued to employees under the ESOS are either exercised by them directly or through their appointed proxy.

CREDIT RATING

The Company's financial discipline and prudence is reached in the stable credit rating by rating agency as given below: