

Annual Report 2017-18

SITI Networks Limited



TRANSFORMING THE PRESENT

Powering Profitable Growth



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Forward-looking Statement

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events. The Company has sourced the industry information from the publicly available resources and has not verified this information independently.



SITI is in the midst of a transformation.

A TRANSFORMATION THAT IS ROOTED IN A STRONGER FOCUS ON IMPROVING EFFICIENCIES, ACROSS OPERATIONS AND COSTS.

IT IS A TRANSFORMATION THAT IS FOUNDED ON AN EXPANDING PLATFORM OF INCREASED PRODUCTIVITY, BACKED BY A LEAN CULTURE.

AND A TRANSFORMATION WHICH WE ARE STEERING THROUGH OPTIMISATION OF OUR GEOGRAPHICAL FOOTPRINT, AND RATIONALISATION OF OUR INFRASTRUCTURE INVESTMENTS.

As we move towards making SITI a profitable entity, across verticals and segments, we are restructuring our offerings and streamlining our systems to make them better aligned to the needs of tomorrow. Augmenting our ground connect, we are focussed even more sharply on driving customer satisfaction,

along the entire value chain of our business.

Because we know that customer delight is the only way to power profitable growth, not just for the present but for the distant future as well.

MESSAGE FROM CHIEF PATRON



DEAR SHAREHOLDERS,

It is with a profound sense of happiness and satisfaction as I witness another stellar performance from Siti Networks and its contribution towards the long-term goal of Digital India and nation building.



By all accounts, FY18 turned out to be an excellent year with an impressive increase in subscription revenue, that went up 41%, at ₹ 7,997 million as well as continued strong subscriber additions of 3.1 million.

At the same time, it continues to remain a vital cog in the whole media ecosystem as it continues to provide wholesome entertainment and education to the whole family, which is a fundamental building block of this great nation of ours.

By all accounts, FY18 turned out to be an excellent year with an impressive increase in subscription revenue, that went up 41%, at ₹7,997 million as well as continued strong subscriber additions of 3.1 mn. These two levers will continue to be the key towards driving growth

and ensuring market preponderance as we commit to serve our valuable end consumers. In consonance with this, SITI played a vital role in growing the TV households universe from 183 mn to 197 mn and pushing television penetration up to 66% across the country. We will continue this digitisation momentum and ensure the television becomes a window to the world, in line with the ethos of "vasudev kutumbakam".

This spectacular growth is aligned with the positivity in the Indian Media & Entertainment Industry, which grew around 13% in 2017 to touch ₹ 1.5 trillion.

The percolation of digitisation that we have seen lately should also be credited to the electrification initiatives taken by the Government of India, under the dynamic leadership of our Prime Minister; Indeed, April 28, 2018 will be remembered as a historic day as all 18,452 villages across India got access to electricity. I see this as a key enabler for the growth of television penetration.

The recently announced TRAI tariff order has also come as a positive development that is expected to accelerate sector growth, empower the end consumer and ensure redistribution of power in the media value chain. It will also ensure that revenue gains flow to the bottomline and support a healthy and sustainable distribution environment in the country.

Further augmenting our profitable growth potential is the strong push in the Union Budget 2018-19 to the creation and upliftment of infrastructure, with the Government of India allocating ₹ 5.97 trillion for the same. Infrastructure development being a key propeller of growth for the economy, and the Media and Entertainment (M&E) in particular, this creates a more enabling environment for

your Company's growth.

With significant investments already made in strengthening its technological infrastructure and reach, we are effectively poised to leverage the opportunities opening up across the business value chain.

At SITI, we are well equipped and more than ready to embrace the transformation to drive a more compelling, entertaining and empowering value proposition for our customers. The end customer has emerged as the central pivot around which we have structured our transformational agenda, and we are now more focussed than ever on improving customer experience at every step of the business value chain.

Going forward, we shall continue to proactively pursue this progressive agenda to connect more deeply with the customer through an enhanced content portfolio, more streamlined delivery systems, and more experiential offerings that are designed to address his aspirational needs proactively and effectively.

On this note, let me conclude by congratulating and thanking every member of the SITI Networks family for helping us steer the positive transformation with which we are aiming to scale more profitable growth in the years ahead. I would also like to express my heartfelt gratitude to other stakeholders for extending their unwavering support to us in this mission, which will empower all of us to create a more enabling environment for collective progress.

Best Wishes,

Dr. Subhash Chandra

MESSAGE FROM CHIEF BUSINESS TRANSFORMATION OFFICER



DEAR SHAREHOLDERS,

FY18 proved to be a turnaround year for SITI on the back of a robust operational and financial performance driven by the tenacious and disciplined execution of SITI employees.

Our single-minded focus in making SITI a profitable entity has enabled us to significantly grow operating EBITDA and expand margins manifold. Concomitantly, we continued to deliver unmatched customer experience and an unparalleled content bouquet designed to meet the diverse viewing needs of our 55 million strong pan-India customer base.

A YEAR OF EXCEPTIONAL PERFORMANCE

It gives me immense satisfaction to share that FY18 turned out to be an outstanding year as we exceeded expectations to post an impressive 2.1 times year-on-year expansion of EBITDA Margin to 12.0% a glowing testament to the various successes notched by SITI in its journey of transformation into a process-driven organisation with customer experience at its heart. EBITDA witnessed 2.6 x increase to ₹ 1,507 million from ₹ 586 million in the previous fiscal, underlining the success of our unrelenting focus on the twin drivers of strong revenue growth coupled with operational efficiencies to deliver profitable growth for shareholders.

Our full year consolidated revenues stood at ₹ 14,264 million, of which ₹ 7,997 million came from Subscription Revenue alone, driven by improved monetisation growth of 14% and 72% in Phase 3 and 4 areas respectively. Adding 3.1 million digital cable customers also was key to plough on with the digitisation mandate as we ended up with the largest MSO digital subscriber base of 11.5 million. We are well placed to translate this market reach to revenue growth and subsequent stable recurring cash flows.

Notably, FY18 was the year your Company touched 3,15,000 HD subscribers and surpassed 95% in Collection efficiency, a testament to the disciplined execution in place.

CREATING AN EFFICIENT & AGILE ORGANISATION

These stellar numbers underlined the success of our focussed efforts to maintain a steady increase in revenue growth, while driving efficiencies through a judicious balance between cost prudence and solid EBITDA growth with expanding margins. Our performance also underscores the success of our sustained focus on building an agile, technology-driven and process-led workforce, which is completely aligned to our goal of driving long-term profitable growth in the transitional industry milieu, led by the Government's strong thrust on digital infrastructure development.

Cost moderation was a key facet of our strategic approach to boost operational efficiencies and our initiatives during the year were spread across various expense items including but not limited to general and administrative expenses, bandwidth costs, personnel costs and others, aimed at making your Company fiscally prudent.

Your Company also strategically optimised our geographical footprint and infrastructure investments towards a more concentrated market positioning. We also went in for human resources rationalisation, based on the philosophy of the right person for the right job to boost utilisation levels and created fungible teams to improve flexibility.

The renewal of our content deals with key broadcasters at moderate rate increases allowed us to provide continuity in our varied content portfolio. We see this key item getting further aligned with subscription revenue and customer choice with the implementation of the new TRAI Tariff Order from January 2019. This will lead to changes in the media delivery value chain, ensure monetisation gains flow through to the bottomline and provide to the end customers the right to choose bespoke content.

AUGMENTING THE CONSUMER CONNECT

In line with our customer-centric approach, we have also moved proactively to strengthen our operational engagement with our business partners and JVs. Improved ground connect was a major strategic driver of the growth in our subscription collection levels, and we will continue to monitor collection efficiencies as a key metric going forward. It will also be our effort to further boost ARPU and bring parity in this aspect across phases, now that digitisation is largely behind us.

We are moving steadily to adopt prepaid as the preferred mode of payment with our business associates. I am confident this will emerge as a major facilitator towards the realisation of our ambition to become a profitable entity.

High definition (HD) penetration is another area which we have strategically focussed on, as we see significant headroom for expansion on this count. HD is an experiential offering, with which we are

reaching out to our existing customers through door-to-door promotions. The response has been quite positive and we added 36,000 HD subscribers to take our HD base to 3.15 lakhs during the year. We plan to get more aggressive with HD and to push for HD STBs when the old STBs are due for replacement in DAS Phase 1 and 2.

GOING FORWARD

The future is full of exciting possibilities with significant latent potential for exponential growth for the consumer-focussed business which we are in. Building a SITI ready for this future growth is what we shall focus ourselves more firmly on, in the coming year, as we augment our efforts to drive a high-performance culture across the organisation.

Our efforts to become a customer first company rely heavily on data and technology; We will invest disproportionately to ensure innovation, utility and convenience. We are automating various customer touch-points and building interfaces which are intuitive and scalable. We are working with technology and hardware partners to incorporate AI and machine learning into our workflows. The aim is to transform into a technologically agile organisation.

We are experimenting with connected boxes to give shape to the digital future and harness the OTT wave. We intend to create incubators to develop disruptive systems that enable anytime discoverable content for the end consumer as we move to an era of symbiosis between television and digital viewing.

With the SITI values, we rolled out in FY18 acting as a guiding light, we shall continue with our disciplined execution approach in our quest to tap opportunities in both existing and new markets. Building further on cost synergies and pursuing innovation with a focus on profitable growth, we shall aim to deepen our consumer engagement



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to further delight the end consumer as they discover new facets of digital entertainment coupled with bespoke options.

We believe that to achieve these goals, we need to further enhance our people-process-product proposition to weave it move intricately into the organisational fabric. And I am confident we shall succeed in doing so with your continued support and trust, which has been a strong motivator of our transformational journey so far and will be a critical driver of our growth agenda going forward.

Best regards,

Rajesh Sethi

TRANSFORMING HOMES ENRICHING LIVES

Part of the diversified Essel Group conglomerate, Siti Networks limited is currently engaged in driving a transformational agenda to power profitable growth across its business fabric. Focussed on delivering holistic value to all its stakeholders, the Company uses state-of-the-art technology to transform consumer experience across Digital Cable TELEVISION AND BROADBAND.

AND THERE'S MORE...

Your Company, which was formerly known as "SITI Cable Network Limited", is continuously striving to enhance customer delight with services offered in digital mode. It is equipped with the technical capability to provide features like Video on Demand, Pay per View, Over-The-Top content (OTT) & Electronic Programming Guide (EPG).

CARRYING FORWARD THE ESSEL LEGACY

We are proud to carry forward the rich legacy of the Essel Group – a leading business houses with a diverse portfolio of assets in media, packaging, entertainment, technology-enabled services, infrastructure development and education. Essel Group has a geographical reach across 171 countries, with a dominant vertically integrated presence in Media and Entertainment.

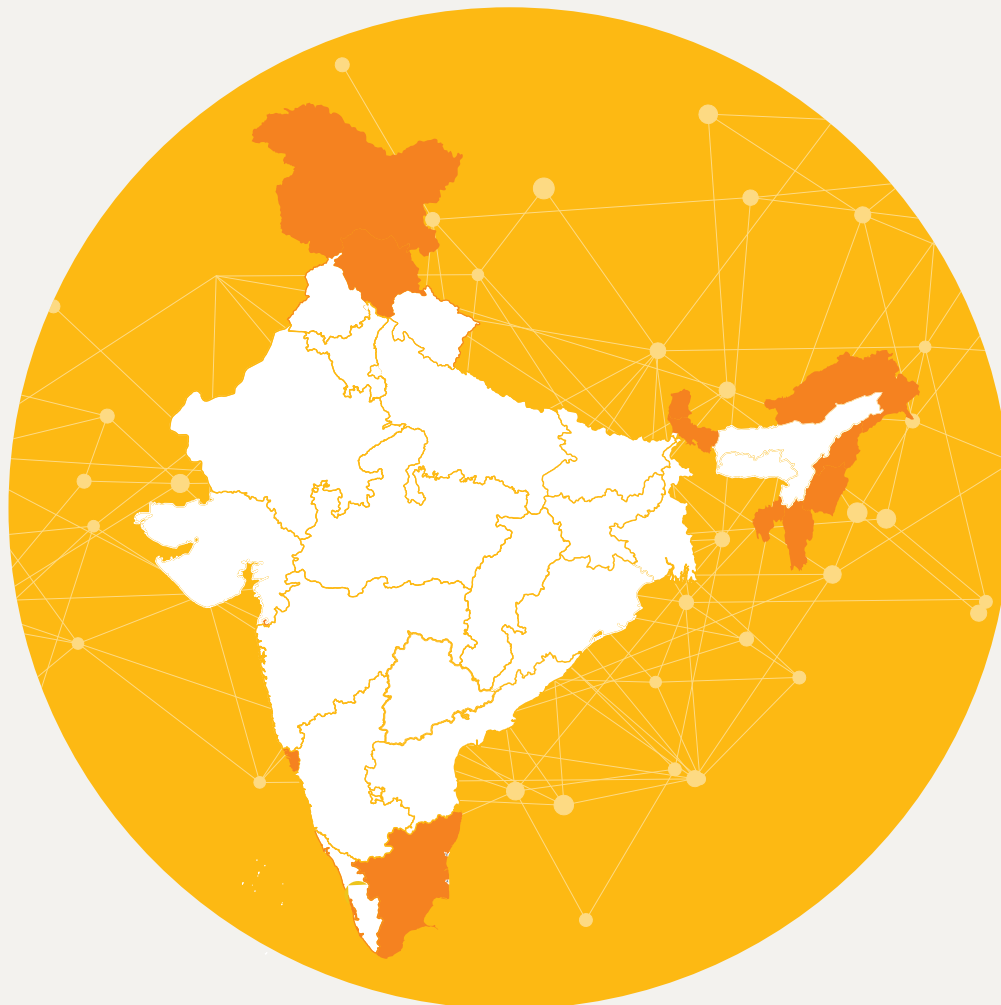
With **15 digital head ends** and an optical fibre & coaxial network spanning more than **33,000 Kms**, we are currently providing digital cable services at **~580 Locations** reaching out to over **11.5 million digital customers**, across the country.

The cable operations of Siti Networks Limited were launched in 1994, when it was a 100% subsidiary of Zee Telefilms Limited (ZTL).

OUR VISION

To gain the leadership position in the industry as an integrated service provider by being the preferred choice of the consumer by enhancing the consumer delight through offering superior content, quality, services by using advance technology as an edge.

OUR EXPANDING REACH & GROWING PRESENCE



Present in

22

States & Union
Territories

Across

580+

Locations

Delhi

Rajasthan

Punjab

Chandigarh

Haryana

Uttarakhand

Gujarat

Maharashtra

Karnataka

Kerala

Andhra Pradesh

Telangana

Chhattisgarh

Odisha

Madhya Pradesh

Jharkhand

Bihar

Uttar Pradesh

West Bengal

Assam

Meghalaya

A JOURNEY OF MANY FIRSTS

1st MSO
In India

Established
in 1994

1st MSO

to be listed
on stock
exchange

MILESTONES OF OUR GROWTH TRAJECTORY

Cable business started by
Promoters

1992

Implemented CAS in metros
of Delhi, Mumbai and Kolkata;
listed on the stock exchanges

2007

Initiated mass digitisation
through HITS Services

2008

Right Issue of ₹4,500 mn
fully subscribed

2009

DAS implemented in
Phase-1 Cities; Delhi,
Mumbai & Kolkata

Broadband started on EOC
Technology

2012

DAS implemented in
Phase-2 Cities; achieved
3 million digital
subscribers base
Fund infusion of ₹3,240
mn by Promoters

2013