

Bringing home
a **Unique** experience!



SITI Cable Network Ltd.
Annual Report 2013-14

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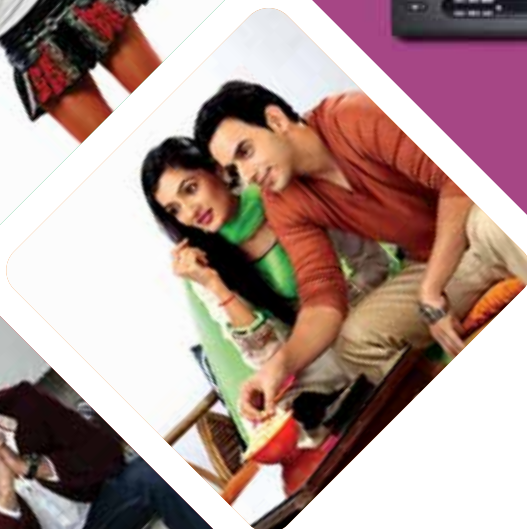


Bringing home a **Unique** experience!

SITI Cable has been unique in its activities and actions that have brought success and patronage its way over the years. In the last two decades, SITI Cable has climbed up the ladder of success by holding on to few basic fundamentals.

Its fundamentals include being transparent in actions and strong in reactions to the market and changing technologies. SITI took it in its stride to take along its Associates, grow in profit and provide best-in-class television viewing experience to its consumers. With LCOs and Broadcasters also growing alongside, the growth was in itself unique.

SITI has maintained a unique and consistent stand of being clear in its policies within itself, the industry and the government. The Consumers have been at the center of our focus and their needs have been addressed by initiatives like superior quality viewing experience, engaging content and packages & offers that are pocket-friendly. Setting paradigms in the industry through unique offerings, we are constantly endeavoring to reach out to our loyal customer base by ***'bringing home a unique experience!'***



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A **Unique** experience for the Consumers

With an enhanced viewing experience supported by best-in-class services, SITI has been offering its consumers an uninterrupted access to entertainment. We are regarded as the organization to have spearheaded the digital revolution in the country. We strive to bring home an experience that is not only unique but also empowers our digital consumer base of more than 4 million subscribers to choose what they wish to view at competitive prices. Our package proposition offers more number of channels as compared to our peers.

By helping our consumers make informed choices regarding the channel packages, we have been able to increase our consumer base and grow our revenues by keeping the price points in line with consumers' preference. To deepen our engagement with our consumers and address their problems, a dedicated network of customer care centers have been set up, which is the best in the industry.

We are consistently working towards bettering our after sales services and introducing value added services like Broadband, HD services and Video-On-Demand, to ensure our consumers better deliveries. Courtesy the right infrastructure in place, the latest STM4 technology is being used for boosting the current channel carrying capacity and scalability. Modern digital head ends have been deployed that are capable to carry more than 400 channels on digital platforms. We keep upgrading our head ends from time-to-time to deliver quality signals that are unmatched. We have tied up with global technological giants like Changhong, Arion Technologies Inc, & Handan to provide best quality Set-top-boxes (STBs); Tandberg & Harmonics for Digital Head ends; Conax for Encryption Systems; and CISCO for Head ends equipment. The use of enhanced technology helps us reach out to our consumer base with a viewing experience that is superior, quality driven and unique.

Our services are a testimony to the fact that our DAS Subscription revenue grew by 630% over the last fiscal and continues to grow. Going forward, with ready world-class infrastructure for more services like Broadband, HD & OTT, we are positive of continuing to create value for our consumers - values that are unrivalled yet unique.



Today we have a strong network of
9500 LCOs across 80 cities who are
working closely with us.



A **Unique** experience for the Associates

Having the right partner matters and at SITI we truly live by this adage. We believe that to reach out to more and more consumers with services that are unique, we first need to strike the right kind of partnership with people who will make it possible. Therefore, when it comes to choosing the right Associate to collaborate with, we are stringent on the qualities of dedication, transparency and commitment. Proud to say, today we have a strong network of 9500 LCOs across 80 cities who are working closely with us to make our vision of bringing home a unique experience possible.

Empowering our LCOs with the right tool of world-class technology has enabled them to improve their productivity and call-to-action time. As a result they have been able to offer better services to their existing customer base as well as tap potential business opportunities in form of new and potential customers. The unique 'Own Your Customer' system allow them real time access to subscriber billing, payment, account statement, activation, deactivation, upgradation, down gradation, packaging and monthly collection of subscription revenue subscriber-wise for every STB installed online.

As an organization, we do believe in taking our associates along on the growth path as we continue to grow. We were the first to launch the subscriber packaging and have realized maximum digital subscription revenue adding to overall revenue growth. We are the only MSO in India to share 25% of our carriage revenue with our LCOs thus strengthening our network and long-term association with them.

We believe in managing our business with utmost professionalism and do not follow the malpractices prevalent in the industry. Our association with LCOs, distributors, vendors, broadcasters and JV partners are fully transparent, keeping our resolve of offering the best to our consumers. Through increased focus on Digital Addressable System (DAS), we are endeavoring to deepen our engagement with the associates in the value chain. The friendly terms of trade with our associates has helped us set benchmark in industry best practices of agreements that are well documented and has given us an edge in uniqueness that is compared to none in the industry.



We are the first to have carried forward the lead in digitization.



Unique in Regulatory Compliances

Adherence to regulatory compliances comes natural to SITI. We have been able to demarcate between the right and wrong practices and have taken precautionary actions not to allow any such malpractices hamper our operations.

Among the many steps taken towards this direction, we were the first to announce channel packages, migrate to package-wise billing, adhere to tax compliance and taken the lead to generate consensus among the fellow MSOs for greater compliance regulations. This has helped us further cement our position as a transparent organization in the industry. Through the years, we have also ensured that we stay in compliance to all the regulatory norms applicable in our industry

Our credibility among broadcasters, consumers, investors, employees, distributors, LCOs and JV partners continue to remain strong and unscathed. We are the first to have carried forward the lead in digitization. A game changer in this regard, we are anointed to have taken the digital revolution across homes.

Chairman's Message

Dear Shareholders,

It gives me immense pleasure in presenting to you the financial results for the fiscal 2013-2014. SITI Cable has had another strong year with Digitisation as the focus. The strong participation by your Company in the digitization process has resulted in growth of 47% in its revenue over FY13. Our EBITDA also grew by 45% at ₹ 1259 million. During the year, your Company also received a laurel to be one of the top 500 of "India's most valuable companies", from Business today.

Year 2013 has been at large a continued journey on the path of reconstruction for the world over. At 3%, the global GDP growth saw a marginal decline from 3.2% in 2012. Indian economy witnessed increased activities in the second half of the fiscal year 2013-14. Going forward, Indian economy is likely to augment its growth momentum. Advance Estimate of Central Statistics Office (ECISO) has estimated India's GDP growth to reach 4.9% in 2014 from 4.5% (revised from earlier estimate of 5%) recorded in 2013. With a stable government and a refinement in policy reforms, India is expected to drive itself home through more and consistent GDP growth in the subsequent years.

Amidst all this, as per a 2014 report by FICCI-KPMG, the Indian Television industry grew by 12.7%, mostly aided by the Digitization of cable industry. As per the industry experts, the size is expected to reach monstrous scale of ₹ 885 billion by 2018 with ₹ 632 billion as subscription revenue and ₹ 253 billion as the advertisement revenue. This would mean a growth of 125% in subscription revenue and 86% in advertisement revenue.

With the continuing regulatory support, digitization is progressing well with few challenges. With DAS coming in, the outreach and the transparency of the business has gone up by several notches.

Your Company has always been in favor of being equally transparent to all segments it has to deal with. The new regime, therefore, has been less complicated for us to deploy to our existing business practices.

Presently, we have an outreach to more than 10 million subscribers for our services. At the end of the digitization process, we target to convert the entire subscriber base to digital. Out of this, we have already achieved 4 million digital subscribers which show that we are progressing towards it quite robustly. Our DAS Subscription revenue grew by 630% to reach ₹ 2840 million over last fiscal.

Throughout the year, we focused on expanding our subscriber base in digital regime. Apart from that we have put cohesive efforts towards adherence to regulatory compliances from TRAI and MIB. We have also applied cost controls measures which have helped us attain better numbers quarter-over-quarter.

The MSOs along with DTH platforms are facing hardships due to dual taxation in the form of service tax and entertainment tax which is almost one third of the subscription received. We have made representations to the government for the rationalization of taxation to provide some respite to the stakeholders. There are some positive hopes from the much anticipated GST taxation regime which would broaden the tax base and reduce the burden.

Another challenge we as an industry face is the low ARPU in the country compared to other developing countries. Once this improves, which would require efforts on the part of all stakeholders, we are hopeful and confident that the increased ARPU will have major positive impact on the entire media industry.