



# Wire and Wireless India Limited

India's Leading Cable TV Company

**Corporate Presentation  
November 2006**

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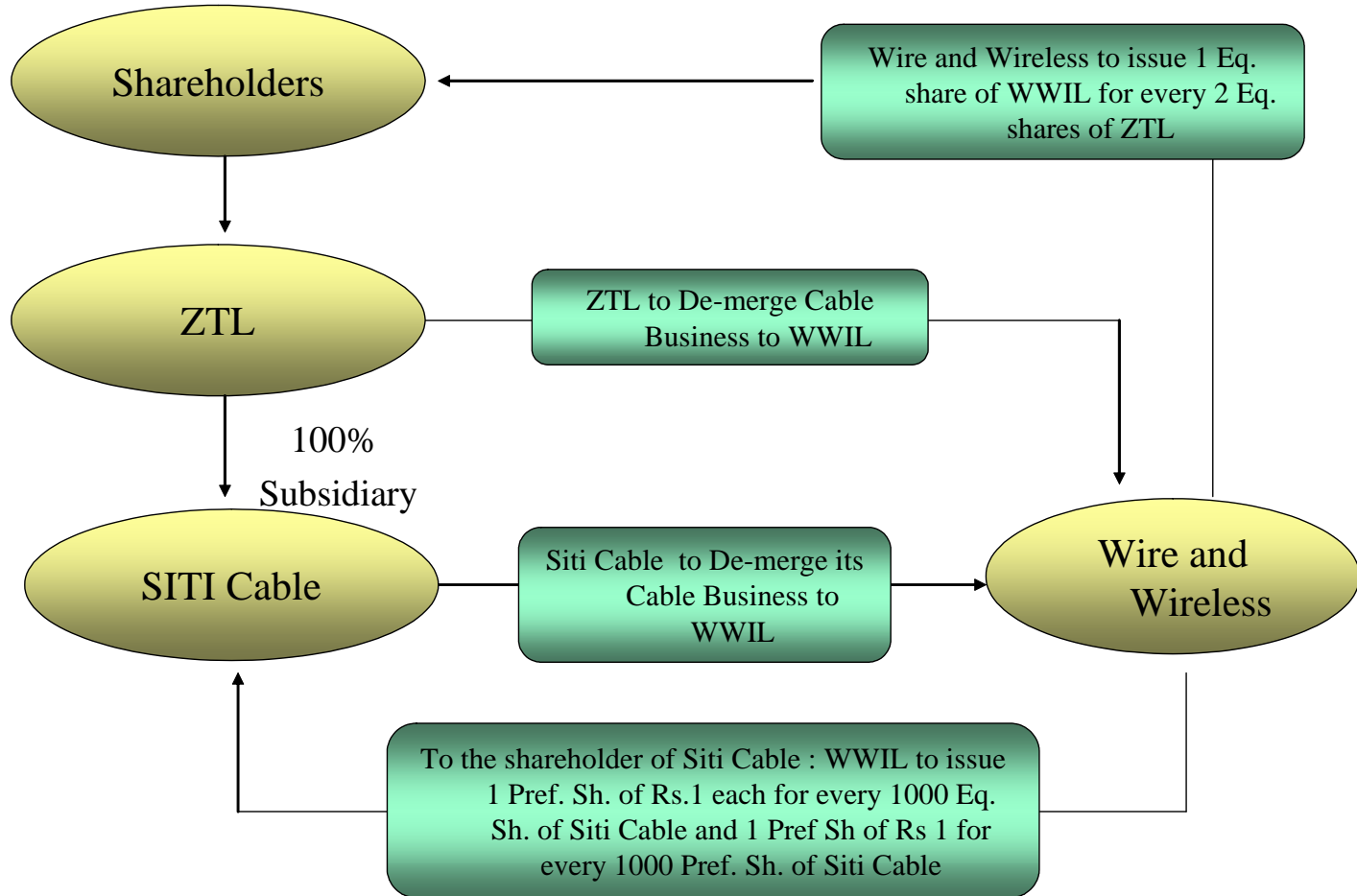
**Ready for triple play**

- ➔ WWIL is India's largest Multi System Operator (MSO) in cable industry.
- ➔ WWIL is taking over the cable business of Siti Cable, a 100% subsidiary of Zee Telefilms Ltd through demerger route.
- ➔ WWIL is present in 35 cities of India. Operates 52 headends.
- ➔ It operates through set of 4000+ franchisee local operators called LCOs
- ➔ WWIL has 200+ independent head-end as its affiliates.
- ➔ It has 7 regional offices and over 500 employees

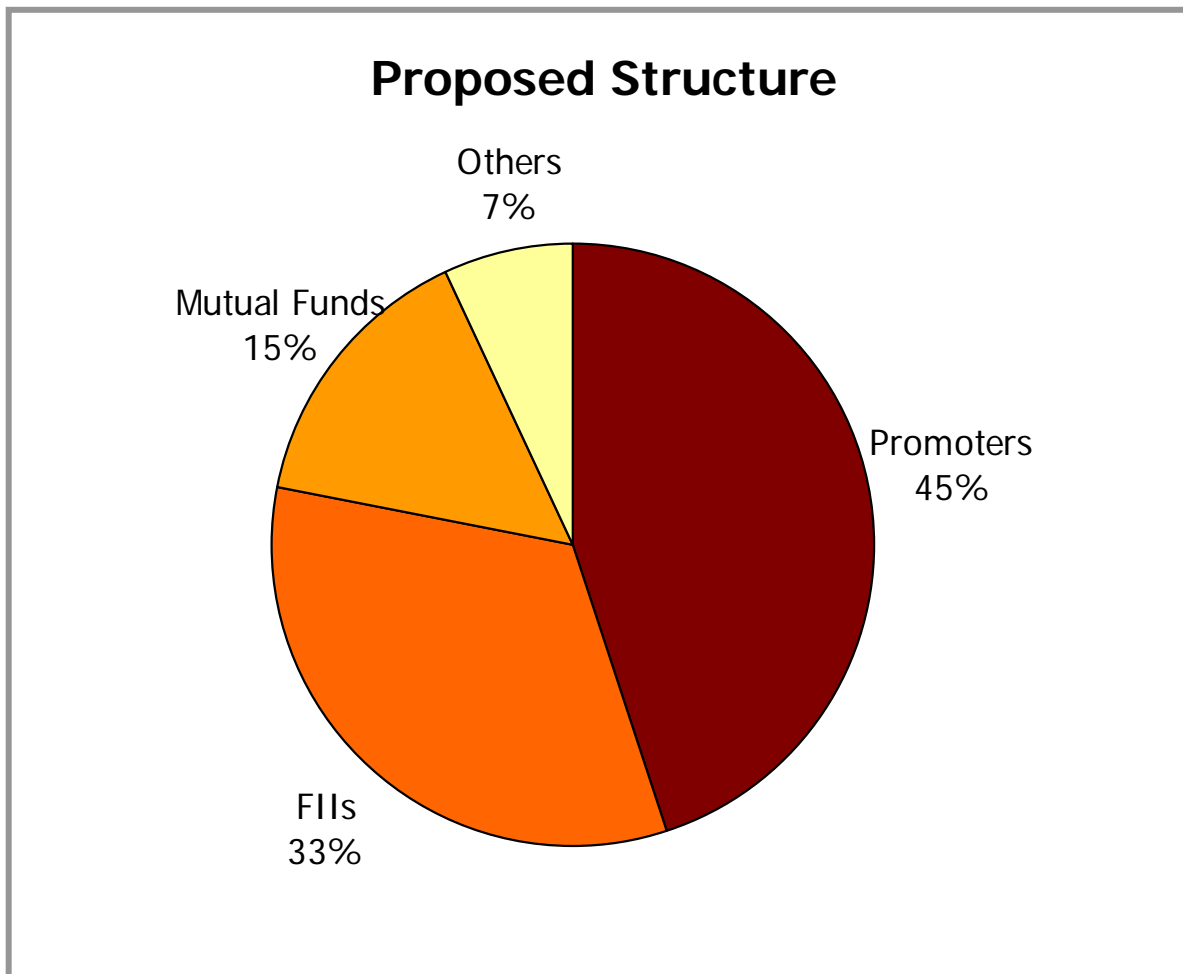


**India's largest MSO**

- WWIL is formed through demerger route by splitting cable business of Siticable which is a 100% subsidiary of Zee Telefilms Ltd.
- Appointed Date of Demerger is March 31, 2006.
- Reasons for restructuring:
  - Large opportunity emerging in cable industry, hence strategic business vertical was obvious choice
  - Restructuring initiated to overcome regulatory restrictions like cable business has 49% permissible foreign holding limit.
  - Bring more focus to each business vertical - Independent management team and Board



**Listing would unlock value of WWIL**



TELEVISION MARKET ESTIMATES			
Year to 31 Mar	2007E	2011E	2015E
<b>1 No. of HHs in India (mn)</b> CAGR of 2.5 % to 2015	215	238	262
<b>2 No. of TV HHs (mn)</b> TV penetration in India CAGR of 5% to 2015	117	151	174
<b>3 No. of C&amp;S HHs (mn)</b> C&S penetration in TV HH CAGR of 8% to 2015	68	107	125
<b>4 No. of Analogue Cable HHs (mn)</b> Penetration as % TV HHs in India CAGR of 0% to 2015	64	71	64
<b>5 No. of DTH HHs, excl. FTA (mn)</b> Penetration as % TV HHs in India CAGR of 37% to 2015	2.6	17.4	31.3
<b>6 No. of Other Digital HHs (mn)</b> Penetration as % TV HHs in India CAGR of 43% to 2015	1.7	18.2	30.2
<b>7 Market Share in C&amp;S HHs</b>			
Analogue Cable	93.7%	66.7%	51.2%
Other Digital HHs	2.5%	17.0%	24.0%
DTH HHs	3.7%	16.3%	24.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

➔ Existing revenue of \$4 bn on cable

➔ 3X of Ad spends!

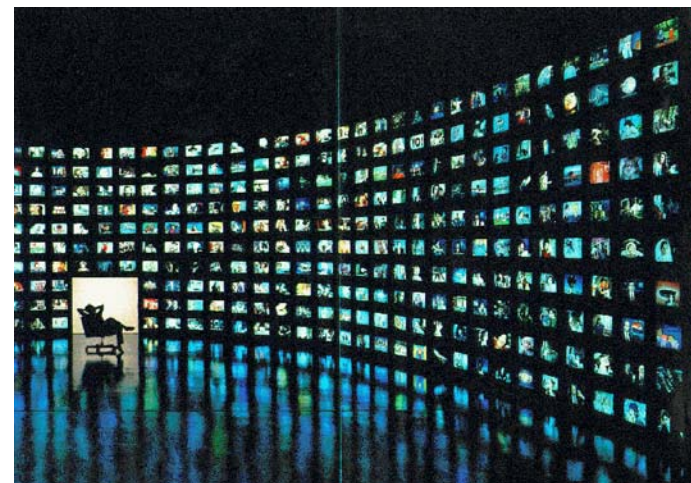
➔ Fragmented market

➔ Poised for digitization

➔ Driven by

- ▶ Technology – DTH, Telcos
- ▶ Regulatory - CAS
- ▶ Customer need for better quality

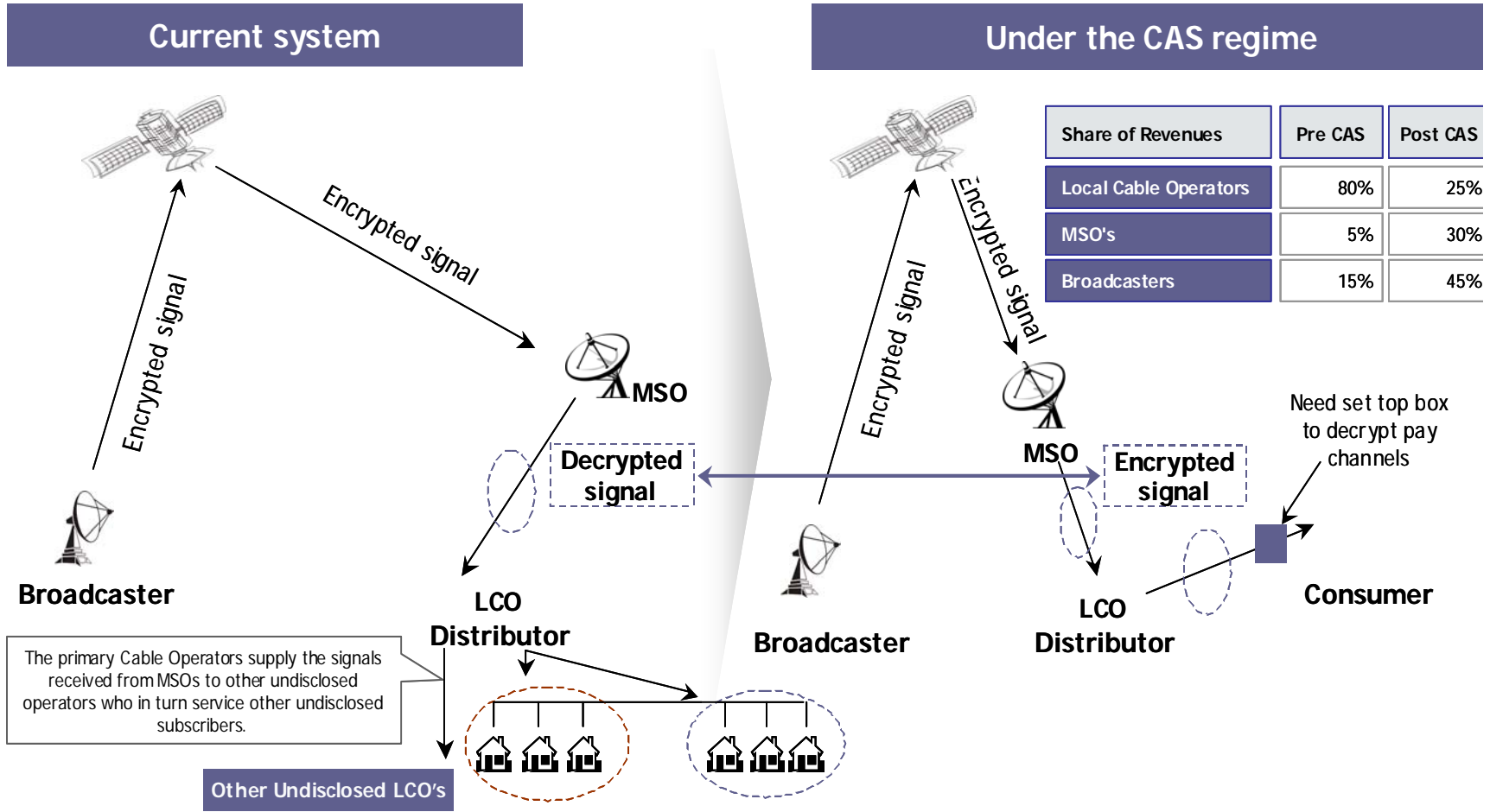
- ➔ There would be an estimated 89 million (excluding DTH) homes connected to cable by 2011, accounting for 59% of the total television households in that year.
- ➔ ARPU expected to be Rs 470 (USD 10) in 2011. Lower than comparable economies, where it is currently more than USD 12.
- ➔ Subscription revenues accruing to industry would amount to Rs 500 billion (USD 10.7 billion).
- ➔ At 25% EBITDA margin, Industry would be making an EBITDA of Rs 125 billion (USD 2.7 billion).



**A big industry is emerging**



- ➔ There are 8 large MSOs in cable arena and 7,000 independent headends serving 40,000. LCOs
- ➔ These independent headends control 70% of the market
- ➔ Besides WWIL - Hathway, Incable, Sumangali, Ortel are existing large MSOs
  - Hathway has presence in Mumbai, New Delhi, Chennai, Bangalore, Hyderabad and some other cities. Claims 5 million subscriber base
  - Incable has presence in Mumbai, Delhi, Nagpur, Bangalore. Claims 3 mln subscriber base
  - Sumangali is a regional player in Chennai and other parts of Tamil Nadu having estimated subscriber base of 1.5 million
  - Ortel is a regional player in Orissa with a subscriber base of 0.5 million
- ➔ Small players are getting consolidated with large players
- ➔ Telcos are also vying for centre-stage



Source: ENAM Research  
  Declared subs      Undeclared subs

CAS to lead to greater addressability & increased transparency.

## Current Scenario for LCO's

Assuming 1000 direct subscribers @ Rs. 200 ARPU (Rs)	
<b>Monthly Revenue</b> (1,000 X Rs. 200)	<b>2,00,000</b>
Payment to MSO (200x Rs 230)	46,000
<b>Net Revenue</b>	<b>154,000</b>
<b>Salaries</b>	
- 2 Collections boys (2 X Rs. 6000)	12,000
- 2 Technicians (2 X Rs. 4000)	8,000
- Senior Technicians (1 X Rs. 10,000)	10,000
Administrative Expenses	10,000
Maintenance & Up gradation	20,000
E- Tax payout (230 X Rs. 45)	10,350
<b>Total Expenses</b>	<b>116,350</b>
<b>EBITDA</b>	<b>83,650</b>

## Scenario for LCO's in the CAS regime

Assuming 1000 direct subscribers @ Rs. 200 ARPU (Rs)	
<b>Monthly Revenue</b>	
- Free to Air (1000 X Rs. 77)	77,000
- Revenue from Pay Channels (25% Rev. Share)	30,000
- Additional Rev. from Value Added services (Movies on Demand etc. Rs. 50 X 1000X 25%)	12,500
<b>Total Revenue</b>	<b>1,19,500</b>
<b>Salaries</b>	
- 2 Collections boys (2 X Rs. 6000)	12,000
- 2 Technicians (2 X Rs. 4000)	8,000
- Senior Technicians (1 X Rs. 10,000)	10,000
Administrative Expenses	10,000
Maintenance & Up gradation	20,000
E- Tax payout (E-tax collected from Subs)	0
<b>Total Expenses</b>	<b>60,000</b>
<b>EBITDA</b>	<b>59,500</b>

### ➔ Shift to digital cable: Key Drivers

- While there may be a loss in revenues in the short term for the LCOs, over the long term, due to the 2 way interactivity available on Digital Cable, ARPUs are likely to increase significantly, thereby increasing the payout to LCOs.
- There is also the pull factor from consumers actually wanting to shift due to the greater quality offered by digital cable.
- With the consumers wanting to shift and services like HITS & DTH becoming readily available, the LCO has the option of either moving to digital cable or loosing his entire business to alternative technologies.
- Even in the current analog scenario, there is increasing pressure on LCOs from MSOs/ Broadcasters to increase subscriber declarations, thereby adversely impacting LCO margins.

## ➔ Past

- Local Cable Operators (LCOs) takes feed from WWIL (MSO)
- LCOs collect subscription from end user
- LCOs pay fees to MSO based on negotiated declared subscribers.
- Issues
  - ▶ Limited direct ownership of customers
  - ▶ Under-declaration of subscribers by fragmented LCOs
  - ▶ Large payouts to Broadcasters
  - ▶ Constricted margins

## ➔ Present

- Analog : Acquisition and Partnership Model
  - ▶ Acquisition of 51% interest in LCO
  - ▶ Direct acquisition of subscribers from existing LCO's.
  - ▶ Prevailing market price Rs. 2000-3000 per subscriber
- Digital
  - ▶ Conditional Access System (CAS)
    - CAS to rollout in Mumbai, Delhi, Kolkatta by Dec 06
    - Set top box (STB) implementation will bring full transparency in subscriber declaration
  - ▶ Digital rollout in non-CAS areas
- HITS to rollout :
  - ▶ WWIL - only MSO with license
  - ▶ Technology in place
  - ▶ Quick rollout – especially large residential complexes and townships

## ➤ Analog acquisitions underway

- MSO Acquisition
  - ▶ Completed 7 MSOs in Lucknow, Shimla, Agra, Nagpur ,Pune Jalgaon, Indore
  - ▶ Under negotiation 15 MSOs in Meerut, Allahabad, Jaipur, Noida, Kohlapur, etc.
- 0.25 mn subscribers acquired / under-acquisition in over 10 cities



## ➤ Digital

- CAS implementation underway in Delhi, Mumbai, Kolkatta - expected to get completed by Dec 2006
- Networks enabled for Triple play → Video-Voice-Data
- Orders placed for 9 Digital headends
- 5 digital headends under installation
- Order placed for HITS Head-End
- Separate C band transponders for HITS

For the last mile, three interest groups are vying for centre-stage



**TELCO**  
**Primary Expertise:**  
**Voice on Copper**  
- Extremely difficult to upgrade to video

Who will be the "Lord of the Wires"

Triple Play  
( 1 Conduit 3 services)

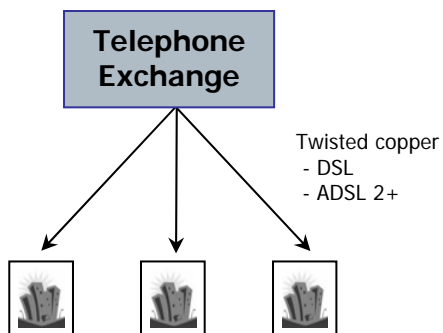


**CABLE**  
**Primary Expertise:**  
**Video (on coax)**  
- Easy to offer voice

**ISP**  
**Primary Expertise:**  
**Data/Internet**  
- No infrastructure exists in India

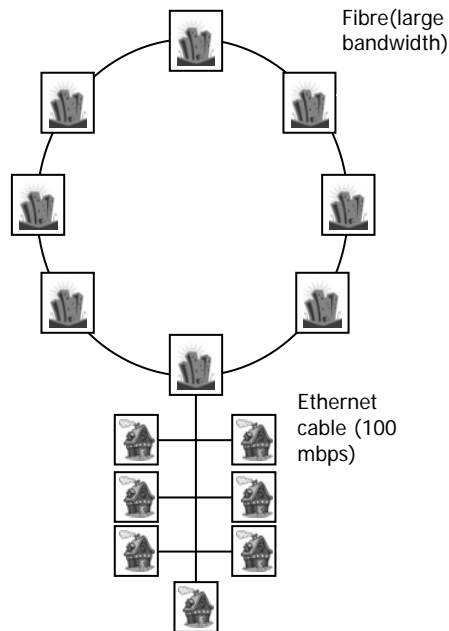


## Public sector telco's (twisted copper)



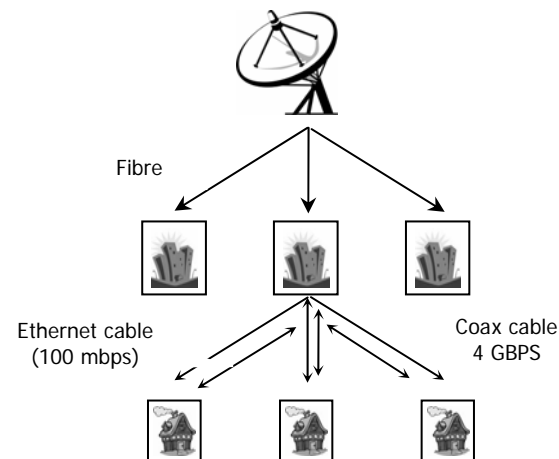
- ➔ ADSL2 + signals good only for distances upto 1.9km
  - ~5% of BSNL lines located within 2km of exchange
- ➔ Requires strong compression techniques
- ➔ High capital cost ~ \$300/ line

## Private sector (Fibre to the Kerb)



- ➔ Single Ethernet to carry video, voice and data.
  - 4mbps per channel
  - ~ 12 mbps per HDTV channel
- ➔ Not suitable for large scale deployment
- ➔ High capital cost ~ \$300/line

## Cable operator (RF/IP)



- ➔ Pipes already laid (including Ethernet)
- ➔ Upto 1,000 normal channels. ~ 300 HDTV channels
- ➔ RF + IP can provide all services
  - RF: Video signals
  - IP: return path for voice, data, interactive services
- ➔ Capex + acquisition cost - \$125/sub

## ➔ Subscriber Headstart

- Existing largest MSO

## ➔ Three-pronged growth Strategy

- Analog Cable – acquisition / partnerships
  - ▶ WWIL plan to increase its subscriber base significantly by aggressive customer acquisition (through LCO partnership – LCO manages network)
  - ▶ LCO Partnership – solution to last mile connectivity
- Digital Cable
- HITS

## ➔ Technology Leadership

- Pioneers in two way connectivity through a combination of coaxial cable and Ethernet cable. RF + IP STB for triple play ready for deployment
- Reliable and easy to use technology – Mass appeal
- Video on Coax – Cable TV : Huge bandwidth into homes over Existing network. Data and voice which require very narrow bandwidth can be clubbed with TV
- Product superiority – secure customer relationship
- Network enabled to provide triple play: Video-Data-Voice (voip)



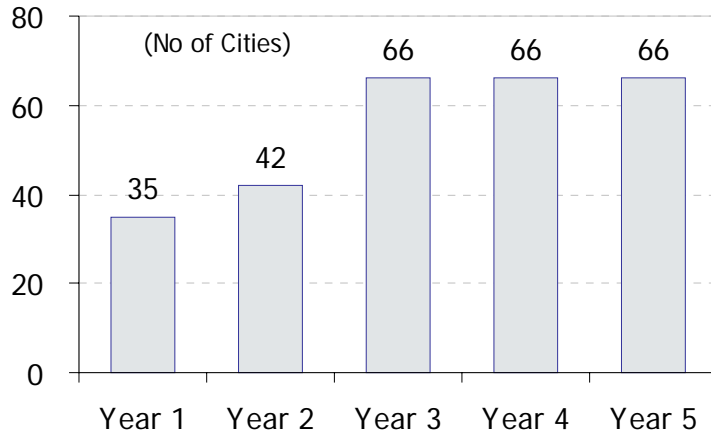
## ➔ Product and Service superiority

- secure customer relationship
- Services would included 150+ digital channels, 50+ analog channels
- One service provider – Multiple services
  - ▶ High speed broadband internet
  - ▶ Video on demand
  - ▶ Pay per view
  - ▶ EPG
  - ▶ Digital video recorder
  - ▶ VOIP
- 24/7 Call Center, Speedy service, Subscriber Management System

## ➔ Experienced management team

- Team of industry pioneers – set up cable businesses for InCable, Hathway

## City Rollout

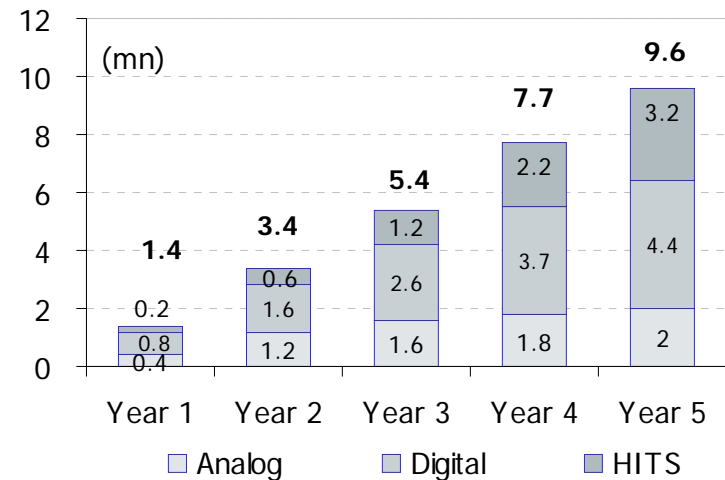


➔ WWIL targets to roll out in 66 cities within three years.

➔ Three pronged subscriber growth strategy:

- Analogue cable
- Digital cable
- Headend in the sky (HITS).

## Cumulative Subscribers



## ➤ Financial Evaluation

- Business to grow from 1.6bn (\$ 35.5mn) in 2006 to Rs.35bn (\$ 761mn) in 2012
- EBIDTA margins of 25% by 2012 on gross revenue basis
- Cumulative subscriber base (revenue generating units) to reach 9.6mn by 2012

## ➤ Capex Requirement

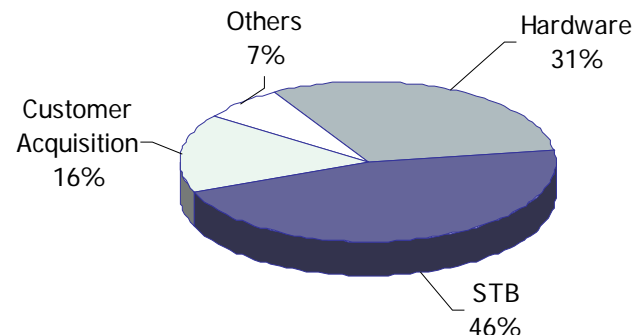
- Cumulative Capex ~ USD 192mn.
- Capex envisaged to be significantly lower than international peers
  - ▶ Labour costs in digging trenches and laying cables much lower in India
  - ▶ STB prices have fallen to \$ 40 a box from highs of \$ 400.
  - ▶ Reduction in network equipment costs
- Required funds (debt and equity) over next 2 years expected to be ~Rs.7.14bn (\$ 158mn)

## WWIL: On a high growth trajectory

	2006	2012	CAGR (%)
<b>WWIL</b>			
- Subscribers (HH mn)	0.8	9.6	51
- Sales (USD mn)	33.6	761	68
- EBITDA (USD mn)	0.4	193	-

## Funding Requirements

Current Balance Sheet	(Rs. Mn)
-Total Capital Employed	3,056
-Total Debt	1,065
<b>Capex Envisaged by 2009</b>	<b>~ 7,140</b>



- ➔ Indian Cable – a US\$ 4 billion business, transforming and growing at a rapid pace
  - Third largest TV market in the world (112 mn TV households), expected to grow at 7-8% over the next 5 years
  - Huge potential arising from
    - ▶ Conversion of terrestrial to cable
    - ▶ Analog cable to Digital cable, HITS, DTH
  - Conducive regulatory environment offers opportunity to consolidate presence in this fragmented market
  
- ➔ Strong Promoter and Management Team
  - Part of Zee Group: pioneers of satellite TV in India
  - Most experienced management team in the business
  
- ➔ WWIL
  - Established leader in cable business
  - Three-pronged growth strategy : Analog + Digital Cable + HITS
    - ▶ Analog Subscriber acquisitions in full swing
    - ▶ First mover in digital cable and HITS
    - ▶ State of the art infrastructure in place

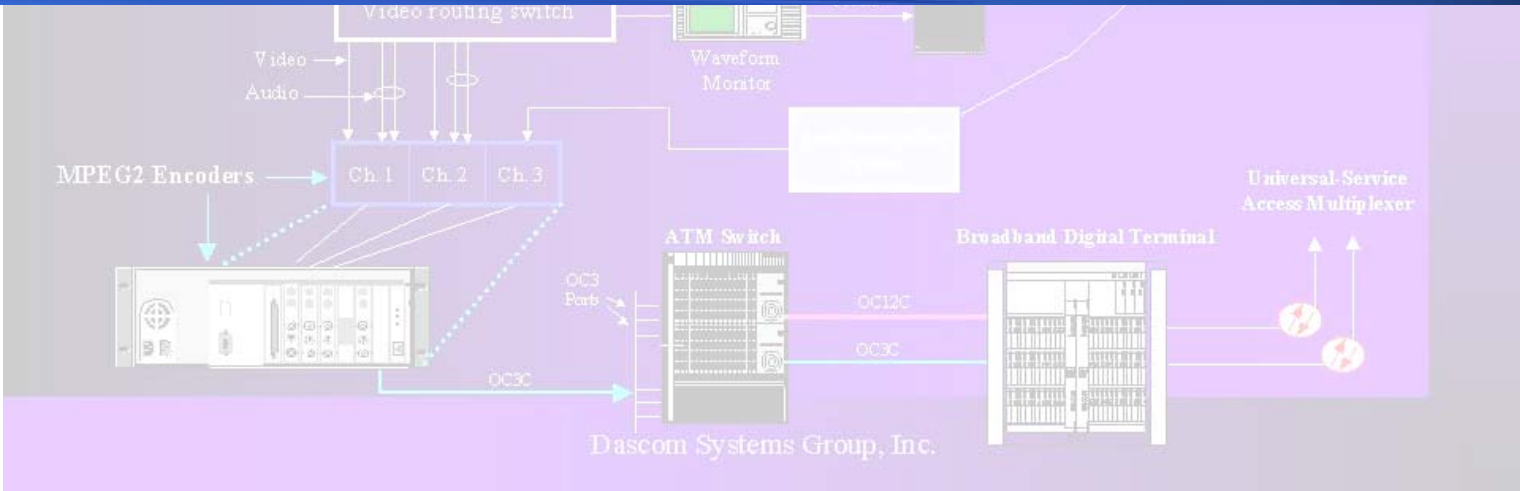
- ⇒ Bombay High Court approved the demerger
- ⇒ Filing of demerger scheme with RoC
- ⇒ Application to SEBI through designated Stock Exchanges for Listing
- ⇒ Allotment of Shares: Record date likely in December 2006
- ⇒ Expected to get listed by Feb, 2007



**Opportunity getting unbundled**



# Annexures

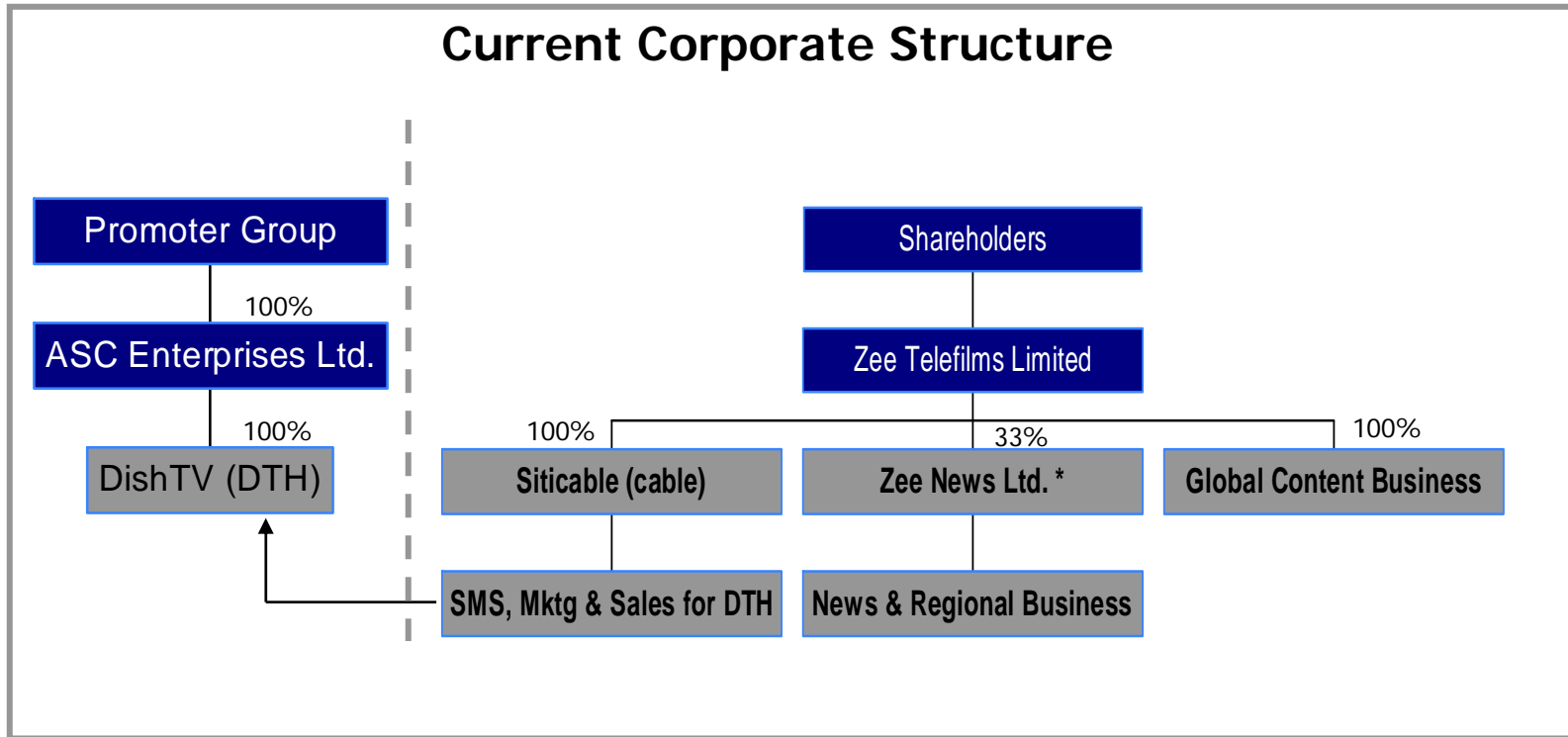




- ➔ Zee Telefilms Limited (Zee.BO, Zee.NS) is India's largest vertically integrated media and entertainment company encompassing the content-to-consumer value chain; television content, broadcasting, cable networks, films and music
- ➔ Among the most popular entertainment brands of India
- ➔ One of the largest Indian multiple distribution platforms with a reach of more than 350 million viewers in over 120 countries
- ➔ India's largest MSO
- ➔ Annual operating revenues Rs 14,233 million for financial year ending March 2006
- ➔ Market Cap: USD 2.7 billion# (Rs 125 billion), Net Worth – USD 584 million (Rs 26.6 billion)

## Integrated media and entertainment company



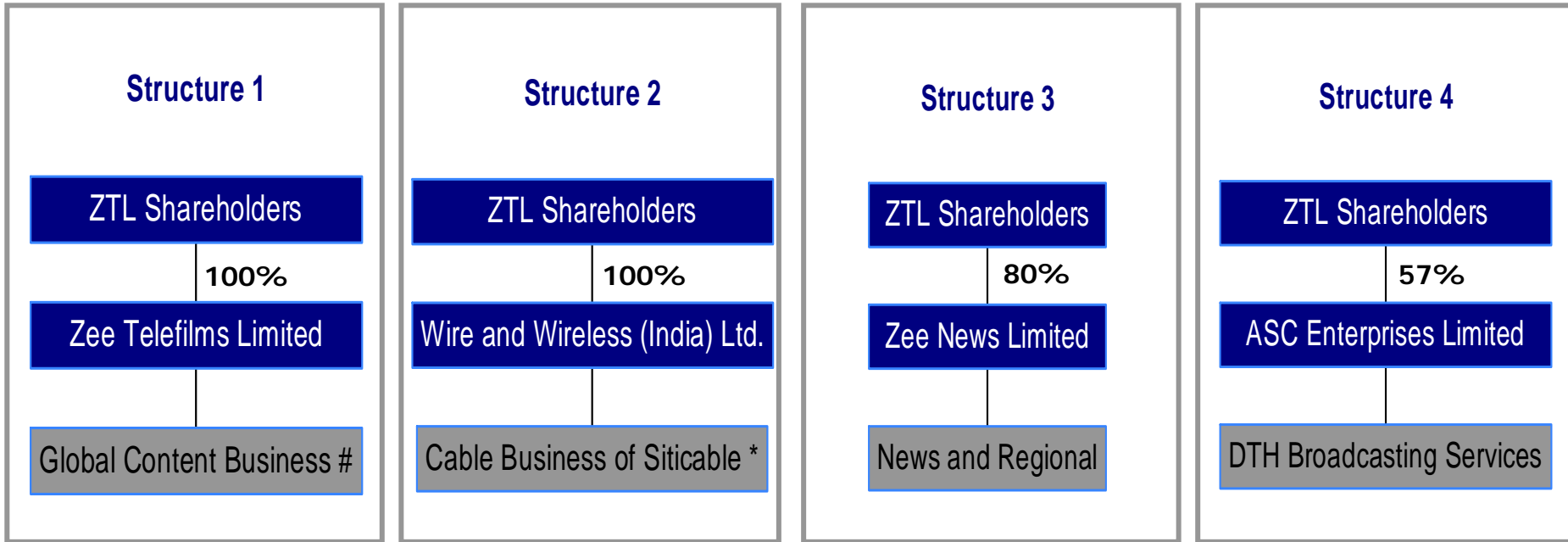


➔ ZTL held 33% in Zee News Limited, while promoters of Zee hold the balance.





# Proposed structure of various businesses



# ZTL Global content business would include all non-news bearing channels in India and all international businesses; and retain 74% investment in Zee Turner, 51% investment in ETC Networks Limited and 26% stake in Aplab Limited.

\* Shares held by foreign promoters will be shifted to India as domestic holding to bring down the overall foreign holding to about 35%. Cable business max foreign holding permissible is 49%.

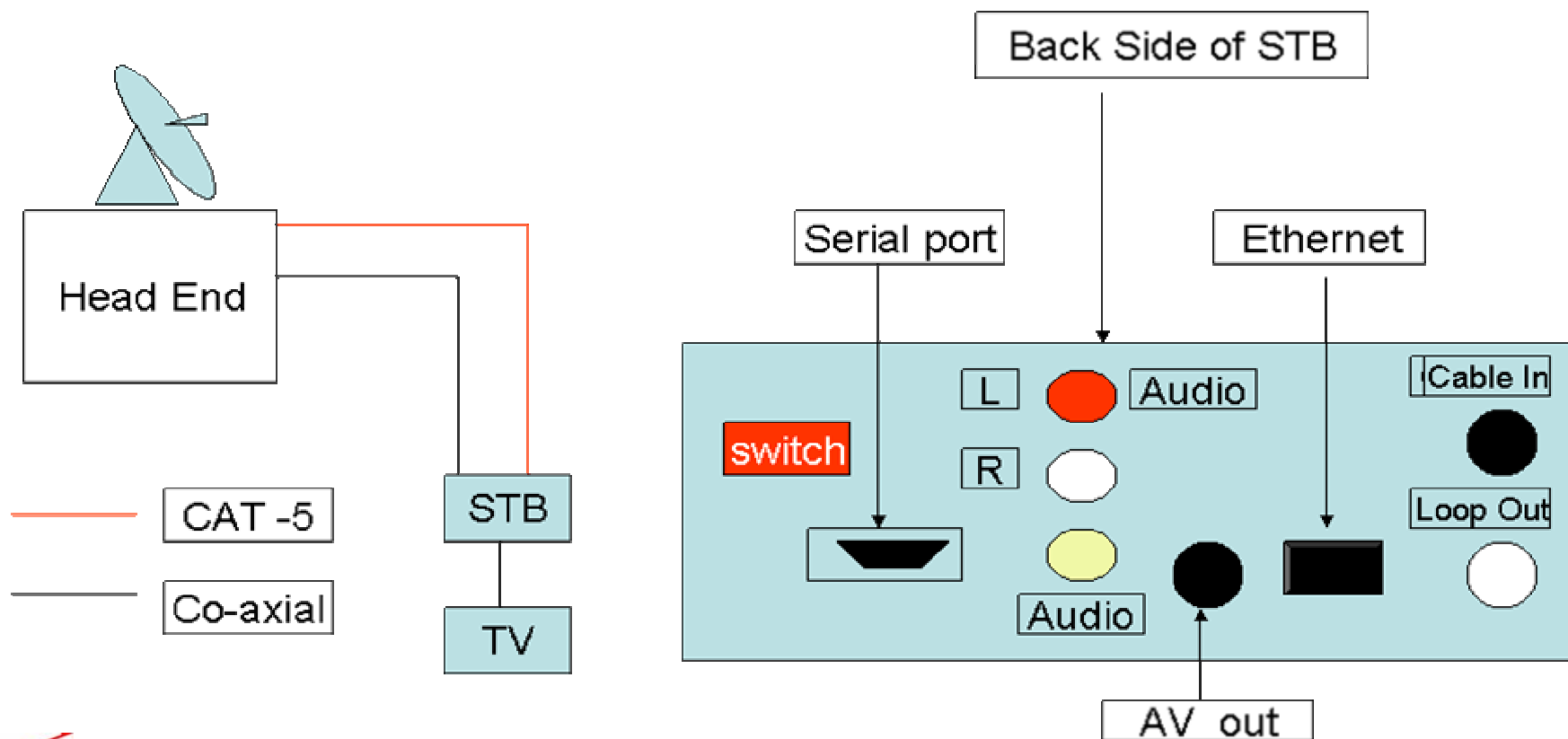
@ As per scheme, ZTL shareholders get 137 shares of Zee News Limited for 100 shares in ZTL. ZTL foreign shareholders will be limited to a maximum of 26%. Any additional shares accruing to them would be converted into 1,781 Preference Shares for every 100 shares of ZTL.

^ ZTL shareholders would get 230 shares of ASCEL for every 100 shares held in ZTL; resulting in their holding 57% in Dish TV.

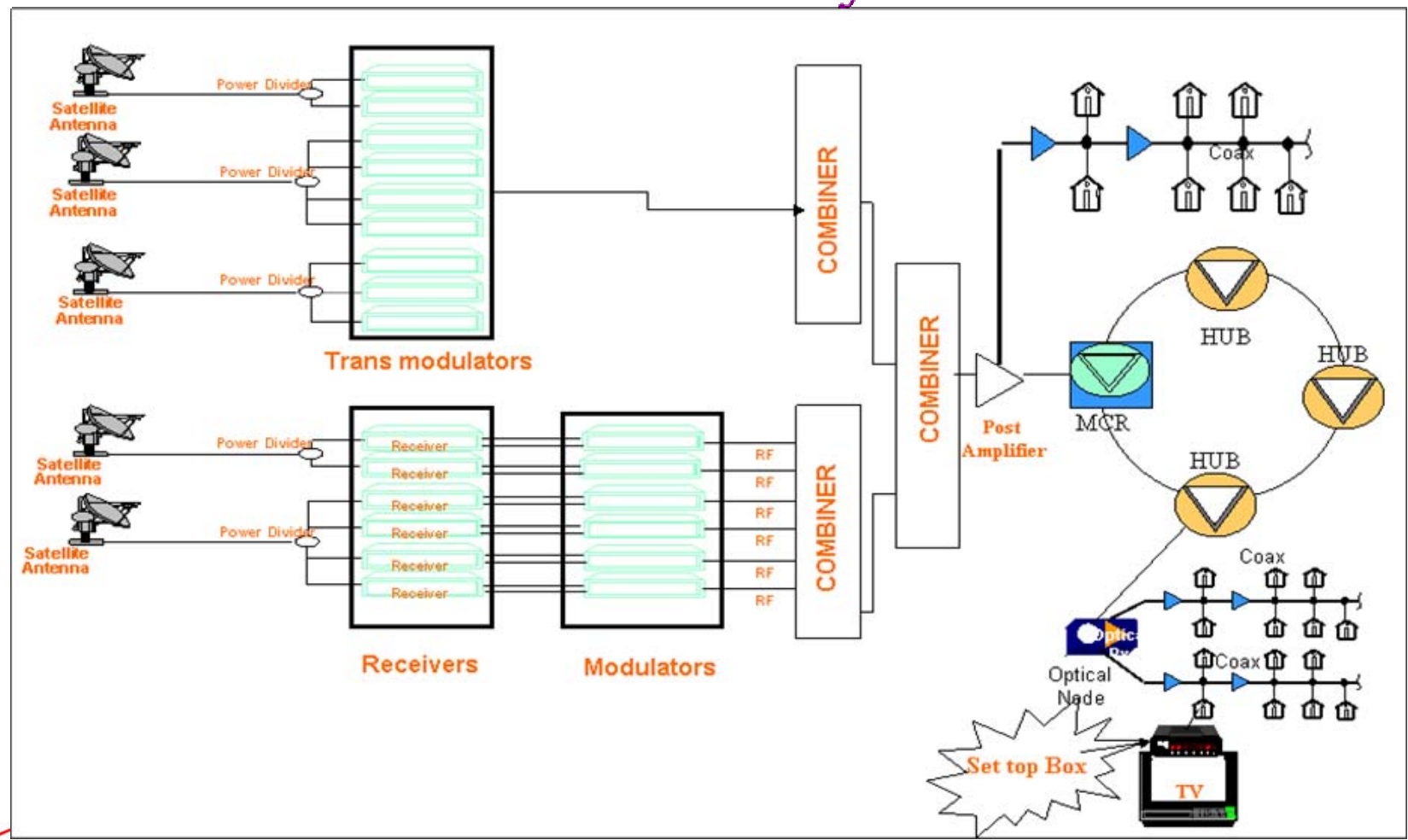
- ⇒ WWIL has a Networth of Rs 2.0 billion and Loan funds of 1.0 billion.

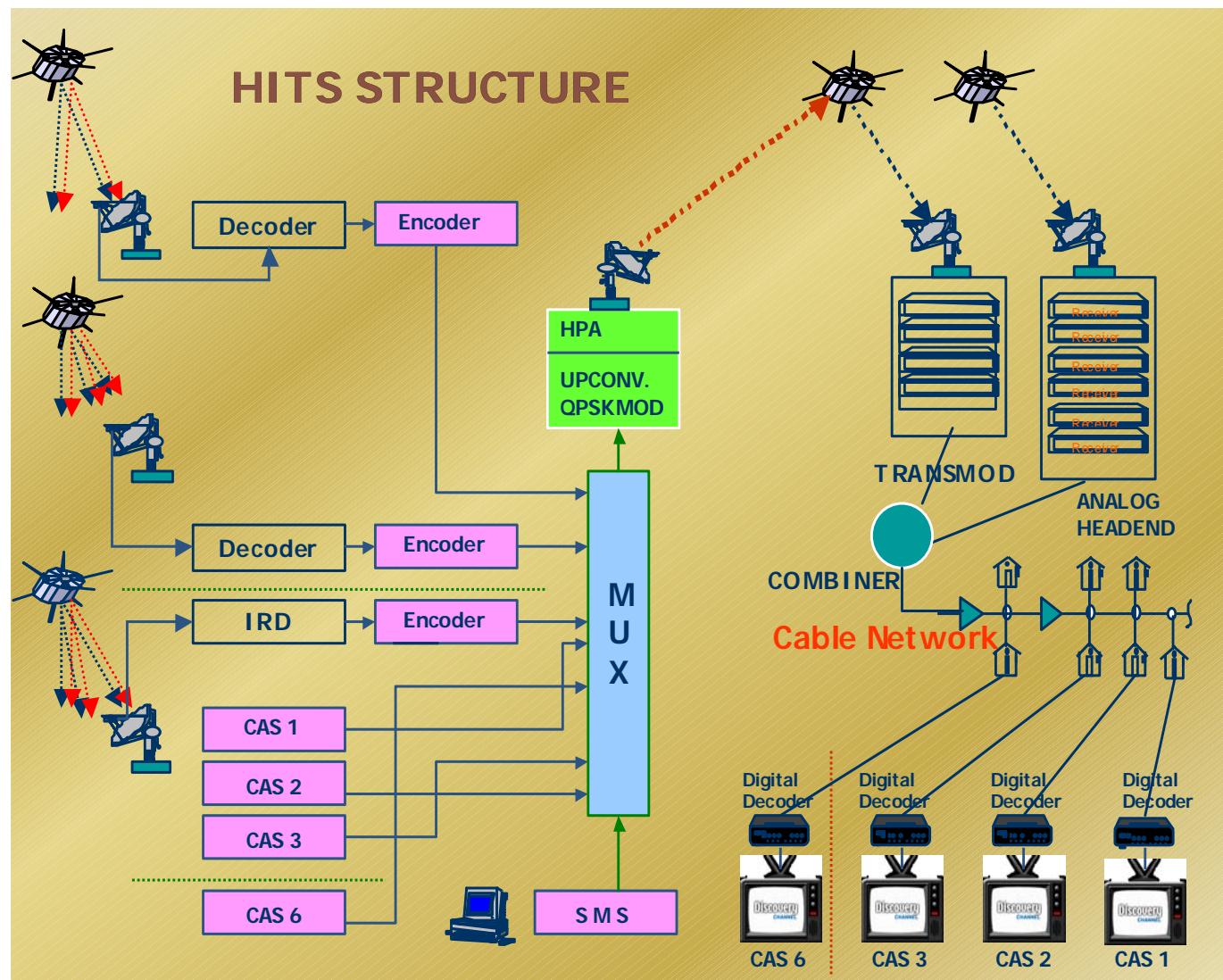
WWIL		
(Rs million)	FY2006	1H FY2007
Operating Revenues	1,545	952
Expenditure	1,528	923
<b>Operating Income</b>	<b>17</b>	<b>29</b>
Add: Other Income	122	48
Depreciation	120	68
Finance Expenses	9	8
PBT before exceptional items	10	1
Less: Exceptional Item	-	-
Less: Provision for Tax	3	3
<b>Profit After Tax</b>	<b>7</b>	<b>(2)</b>
<i>Operating Profit Margin</i>	<i>1%</i>	<i>3%</i>

(Rs million)	As of April 1, 2006
Share Capital - Equity	210
Share Capital - Preference	0
Reserves & Surplus	1,781
Deferred Tax Liabilities	0
Minority Interest	-
Loan Funds	1,065
<b>Capital Employed</b>	<b>3,056</b>
Fixed Assets	1,950
Investments	150
Net Current Assets	955
Deferred Tax Assets	-
Misc. Expenditure not w/o	0
Profit & Loss a/c	-
<b>Capital Deployed</b>	<b>3,056</b>



## Distribution System





- ➔ HITS – New technology
  - The cable industry has entered an era of demand for quality services on one hand and ever-intensifying competition from cable operators on the other side. It is most suitable mode of C&S TV for large residential complexes and townships.
  
- ➔ Simplicity Equals Results with HITS
  - HITS takes the complexity out of digital. Simplicity, low cost and reliable service are the corner stones of the HITS solution.
  
- ➔ HITS Lowers the Cost of Digital Cable
  - Historically, operators have had to constantly increase plant bandwidth through expensive and time-consuming rebuilds. The HITS method of implementing digital television alters the economics of launching new services in favor of the operator.
  
- ➔ More Choice and Convenience for Customers
  - HITS transports new and innovative programming while maximizing valuable plant bandwidth.

- ⇒ ARPU: Average Revenue Per User
- ⇒ C & S TV : Cable & Satellite TV
- ⇒ CAS: Conditional Access System
- ⇒ DTH: Direct to Home satellite broadcasting service
- ⇒ DVR: Digital Video Recorder
- ⇒ FTA: Free to Air service
- ⇒ LCO: Local Cable Operator
- ⇒ MSO: Multi System Operator
- ⇒ NRS: National Readership Survey
- ⇒ STB: Set top box

*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 Wire and Wireless India Limited (WWIL) 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 WWIL 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. WWIL does not undertake to update these forward-looking statements to reflect events or circumstances that may arise after publication.*

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