

Press Release

Dish TV India Limited

November 24, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 450.00 Cr.
Commercial Paper*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB+/Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.450.00 crore bank facilities of Dish TV India Limited (DTIL). The outlook is "Stable".

Acuite has also assigned the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.50.00 crore Commercial paper of Dish TV India Limited (DTIL).

The rating reflects established presence of DTIL in the domestic direct to home industry, a healthy subscriber base and extensive experience of the promoters. These rating strengths are partially offset by the susceptibility to regulatory changes in the industry directly impacting the operations of the group, sequentially declining subscriber base and intense competition in the industry.

DTIL is a Noida based company and is a pioneer in the direct to home (DTH) industry in India with the launch of their services in 2003. The company was incorporated in 1988 as the technical arm of the Essel group. DTIL also provides DTH infrastructure support services via its group companies Dish Infra Private Limited (DIPL) and C&S Medianet Private Limited (CMPL). Further, the dish group has expanded its reach overseas via Dish TV Lanka Private Limited (DLPL). In 2018, Videocon d2h Limited amalgamated with DTIL with the intent to expand the market share of the amalgamated entity along with improvement in the quality of services.

The company along with its subsidiaries forms the business group, hereinafter referred to as "Dish Group" comprising of Dish TV India Limited, Dish Infra Services Private Limited, C&S Medianet Private Limited and Dish TV Lanka Private Limited.

Analytical Approach

Acuite has considered the consolidated business and financial risk profile of Dish TV India Limited (DTIL), Dish Infra Services Private Limited, C&S Medianet Private Limited and Dish TV Lanka Private Limited to arrive at this rating. The consolidation is on account of the presence of inter-corporate guarantees, operational linkages and similar line of business. Extent of consolidation: Full

Key Rating Drivers

Strengths

• Strong Brand Presence

DTIL has established itself as one of the key players in the DTH industry and has the added advantage of being the industry pioneer. DTIL commenced its operations in 2003 thus establishing a long track record of operations of over 17 years. DTIL is a part of Essel group which has a wide presence across various industries like Media, Infrastructure, Education, financial services, to name a few since 1926. Further, the DTH group has an almost ubiquitous presence in the domestic terrain with its reach extending to 9,450 towns aided by the network of 4,00,000 dealers and 4000 distributors which has enabled the group to acquire sizeable market share. DTIL's market share currently stands at 29.49% in terms of total subscribers; being second to only Tata Sky limited as on 31st March 2020. In order to maintain their position as one of the market leaders, the company merged with Videocon DTH in 2018 with the merged entity possessing a bandwidth capacity of 1422 MHz, and a network of more than 655 channels & services including 40 audio channels and over 70

HD channels. Moreover, to counter the challenge posed by the advent of over-the-top (OTT) platforms, in 2019 the group launched its own application by the name of WATCHO, to expand its footprint in the OTT segment as well.

The brand image of the group is further augmented by the rich experience of the promoters of the company viz. Mr. Jawahar Lal Goel, Mr. Anil Kumar Dua and Mr. Rajeev K. Dalmia who are all industry veterans with an experience of two decades each.

Acuite believes Dish group will continue to benefit from its long track of operations, nationwide presence and rich experience of the promoters over the medium term.

- **Moderate Financial risk profile**

DTIL's financial risk profile is moderate marked by healthy net worth, moderate total outside liabilities to tangible net worth (TOL/TNW) and above average coverage indicators. The tangible net worth of the group stood healthy at Rs. 3797.74 crores as on 31 March, 2020. However, the group has witnessed a sequential deterioration in the net worth from Rs. 6,736.05 crores in FY2018 to Rs. 3797.74 crores in FY2020 post-merger with Videocon Dth Limited which is on account of impairment of goodwill to the tune of Rs. 1915.50 crores as on 31st March 2020 as against Rs. 1562.54 crores in the previous year.

The group has followed a conservative financial policy in the past with its peak TOL/TNW ratio at 1.75 times as on March 31, 2020. The leverage levels have deteriorated over the years from around 1.1 times as on March 31, 2018 on account of piling dues to regulators. Though the TOL/TNW levels are moderately high at around 1.75 times, the same is expected to improve to around 1.39 times as on March 31, 2023 on account of sizeable repayments in FY 2021 and FY 2022.

The Debt protection metrics of the group have remained above-average marked by the interest coverage ratio 3.74 times and the debt service coverage ratio of 1.61 times as on 31st March 2020. Further, the net cash accruals to total debt (NCA/TD) stood at 0.94 times for FY2020 as against 0.67 times in the previous year. The group reported net cash accruals (NCA) of Rs. 1682.70 crore in FY2020 against repayment obligations of Rs. 787.04 crores in the previous year.

Acuite believes that the financial risk profile of the group is expected to remain moderate backed by moderate net cash accruals and decline in the debt-funded capex in near to medium term and receipt of loans and advances extended to its group companies.

Weaknesses

- **Highly regulated industry and intense competition in the industry:**

The Indian DTH industry is highly regulated with the players of this industry under the ambit of both Telecom Regulatory Authority of India (TRAI) and Ministry of Broadcasting, therefore, any major changes by the regulatory authority may directly impact the operations of the players in the sector. For instance, the recently issued National tariff order 2.0 by TRAI has mandated the service providers to provide 200 Free to Air (FTA) channels at the base price of Rs. 153.00 per month and not exceed the charges over Rs.160 Per month. Further, due to a dispute with the Ministry of Broadcasting regarding the disagreement in the license fees amount, DTIL has approached the Honorable Telecom Disputes Settlement & Appellate Tribunal and the matter still remains pending. Consequently, the group maintains a heavy provision to the tune of Rs. Rs.3575.77 crore as on March 31, 2020 as against Rs.3256.48 crore in the previous year if the verdict of license fees is unfavorable.

In addition to the regulatory hurdles, the group also faces intense competition from other players in the DTH industry but also from cable operators, free dish channels and various OTT applications which are reflected by the decline in addition of new subscribers of the group as the new subscriber addition levels fell to ~3.20 million in FY2020 from ~4.50 million in FY2018.

- **Capital Expenditure intensive industry:**

The DTH business is technologically driven; hence there is a consistent need of capital expenditure majorly towards improving the level of technology in the set top boxes and to smoothen the customer experience by rebuffing of software etc. Further, industry is prone to higher churn rates not only because of competition from cable operator but also from especially after the advent of OTT platforms like Netflix and Amazon Prime etc. therefore making the regular revamping of technology imperative for improving the customer experience and maintaining the market share.

Rating Sensitivity Factor

- Favorable outcome from the pending regulatory dispute.
- Improvement in the subscriber addition

Material Covenants

None

Outlook: Stable

Acuite believes that the outlook on Dish group will remain 'Stable' over the medium term on account of the promoter's extensive experience, established brand presence and long operational track record in an industry marked by high regulatory barriers and a limited number of players. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Liquidity Position: Stretched

The liquidity profile of the group is stretched marked by net cash accruals in the range of Rs. 990.39-1682.70 crores against repayment obligations ranging from Rs. 905.80 -787.04 crores during FY2018-2020, therefore limiting the group's ability to invest towards the improvement of technology and maintenance capital expenditure. The routine capital expenditure of the group stood in the range of Rs. 900.00 crores-1150 crores in the period of FY2018-20. The cash accruals are expected to be in the range of Rs. 1135.76 to 1548.96 crore through FY2021-2023. The cash and bank balance stood at Rs. 112.71 crores and a current ratio of the group stood low at 0.23 times as on 31 March, 2020. Acuite believes that the liquidity of the group is likely to remain stretched over the medium term on account of average cash accruals against debt repayments and requirement of funds for capital expenditure over the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	3556.34*	6166.13
PAT	Rs. Cr.	(1659.01)	(1151.41)
PAT Margin	(%)	(46.65)	(18.67)
Total Debt/Tangible Net Worth	Times	0.47	0.51
PBDIT/Interest	Times	3.74	3.35

*The revenue for FY20 is lower than the previous year due to netting off the content charges or broadcaster payout as per the NTO 2.0.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Commercial Paper - <https://www.acuite.in/view-rating-criteria-54.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	450.00	ACUITE BB+/ Stable (Assigned)
Proposed Commercial Paper	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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