

Press Release

Dish TV India Limited

January 06, 2022



Rating Downgraded and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	450.00	ACUITE BB Downgraded Rating Watch with Negative Implication	
Commercial Paper (CP)	50.00		ACUITE A4+ Reaffirmed & Withdrawn
Total	450.00	-	-

Rating Rationale

Acuite has downgraded its long term rating to 'ACUITE BB' (read as ACUITE double B) from 'ACUITE BB+' (read as ACUITE double B plus) on the Rs. 450.00 crore bank facilities of Dish TV India Ltd (DTIL) and placed it on 'Rating watch with negative implications'. Acuite has reaffirmed & withdrawn its short term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs 50.00 crore commercial paper of Dish TV India Ltd (DTIL).

Rationale for downgrading the rating and placing it on Rating Watch with Negative Implications:

Acuite has downgraded the rating of DTIL and placed it on rating watch with negative implications considering the decline in business performance of DTIL Group, lack of clarity on change in management and contingency of disputed liabilities materialising. The operating income of the Group declined by 8.63 percent in FY2021 to Rs.3249.36 Cr as against Rs.3556.34 Cr in FY2020. Dish Tv's market share declined to 23.45 percent in June, 2021 from 29.49 percent in March, 2020. Further, the contingency of change in management of DTIL as proposed by Yes Bank Limited and materialising of its disputed liabilities regarding license fees and interest thereon impinge a negative bias to the rating. DTIL in December, 2020 had received a demand notice of Rs. 4164.05 crores from Ministry of Information and Broadcasting for the disputed license fee and interest on the entity. Although, Dish TV India Limited has already made provisions for this event to the tune of Rs.3740.17 Cr as on March 31, 2021 which includes the interest as well. The matter is sub judiced and pending before the Honorable High Court of Jammu and Kashmir. Acuite is in discussion with the management of DTIL to understand the current status of the matters and will resolve the watch post clarification regarding the same. Acuite will be closely monitoring the developments with respect to the aforementioned matters and will resolve the watch once clarity emerges.

About Company

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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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.

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 35,000 dealers and 1,150 distributors. DTIL's market share currently stands at 23.45 percent in terms of total subscribers as on 30th June 2021. 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.

Acuité believes Dish group will continue to benefit from its long track of operations and nationwide presence 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. 2628.00 crores as on 31 March, 2021. However, the group has witnessed a sequential deterioration in the net worth from Rs. 6,736.05 crores in FY2018 to Rs. 2628.00 crores in FY2021 post-merger with Videocon Dth Limited mainly on account of impairment loss. The impairment loss in FY2021 stood at Rs.779.81 Cr as against Rs. 1915.50 crores in the previous year.

The group's total outside liabilities to tangible networth rose to 2.29 times as on March 31, 2021 as against 1.75 times as on March 31, 2020. The overall gearing improved to 0.32 times as on March 31, 2021 as against 0.47 times as on March 31, 2020. The TOL/TNW levels are expected to improve to around 1.82 times as on March 31, 2023 on account of sizeable repayments over the period. The Debt protection metrics of the group have remained above-average marked by the interest coverage ratio of 4.91 times and the debt service coverage ratio of 1.29 times as on 31st March 2021. Further, the net cash accruals to total debt (NCA/TD) stood at 1.37 times for FY2021 as against 0.94 times in the previous year. The group reported net cash accruals (NCA) of Rs. 1141.40 crore in FY2021 against repayment obligations of Rs. 787.04 Crores for the same period.

Acuité believes that the financial risk profile of the group is expected to remain moderate backed by moderate net cash accruals and reduction in total debt in near to medium term.

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.3740.17 crore as on March 31, 2021 as against Rs.3575.77 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, from cable operators, free dish channels and various OTT applications.

> 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 rebuffering 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.

ESG Factors Relevant for Rating

Environmental issues related to broadcasting & programming activities industry are not a prime concern. Although, GHG emissions, air pollutant emissions, energy efficiency, environmental management and water efficiency are the key material issues for this industry. Providing equal opportunity to the employees and developing & supporting the surrounding communities is a key social issue in the broadcasting & programming activities industry. Additionally, key material issues such as data privacy & security, product quality & responsibility and human rights have a significant impact on the social scores for this industry. On the governance front, the industry is exposed to key issues such as business ethics, anti-competitive behavior, board oversight, management compensation, board independence and corrupt practices.

A pioneer in the direct-to-home television broadcasting industry, DTIL has constituted various committees comprising of its key management personnel as its members, to cater to the various environmental, social and governance issues encompassing the industry. DTIL has a Risk Management Committee (RMC) which assists the Board in its oversight of the Company's management. The role of the RMC includes assisting the Board in fulfilling its Corporate Governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational and other risks; approving, implementing and monitoring the risk management framework / plan, including cyber security and associated practices within the Company including evaluating the adequacy of risk management systems; Devising framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee. The Company also has adopted a Code of Conduct for the Members of its Board of Directors and Senior Management. It has also put in place a Policy on Ethics at Work Place which is applicable to all employees.

Rating Sensitivities

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

Material Covenants

None

Liquidity Position: Stretched

Dish Group's liquidity position is stretched marked by net cash accruals expected to be in the range of Rs 1588.41 -1622.13 crores during FY2022-2023 against repayment obligations of Rs 200-350 crore for the same period. The routine capital expenditure of the group is expected to be in the range of Rs.550.00 Cr - Rs.885 Cr in the period of FY2022- 2023. Further, the contingency of the disputed license fee amounting to ~Rs.4164.05 Cr for which provision of Rs. 3740.17 Cr is created as on FY 2021 remains. The cash and bank balance stood at Rs. 93.97 crores and current ratio of the group stood low at 0.26 times as on March 31, 2021. The average working capital limits utilization stood at around ~50 percent for the last 8 months period ending on November 2021. 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 routine capital expenditure over the medium term.

Outlook:

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	3249.36	3556.34
PAT	Rs. Cr.	(1170.32)	(1659.01)
PAT Margin	(%)	(36.02)	(46.65)
Total Debt/Tangible Net Worth	Times	0.32	0.47
PBDIT/Interest	Times	4.91	3.74

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Commercial Paper: <https://www.acuite.in/view-rating-criteria-54.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jan 2021	Proposed Commercial Paper Program	Short Term	50.00	ACUITE A4+ (Ratings Under Watch)
	Dropline Overdraft	Long Term	450.00	ACUITE BB+ (Ratings Under Watch)
24 Nov 2020	Dropline Overdraft	Long Term	450.00	ACUITE BB+ Stable (Assigned)
	Proposed Commercial Paper Program	Short Term	50.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	450.00	ACUITE BB Downgraded Rating Watch with Negative Implication
Not Applicable	Not Applicable	Proposed Commercial Paper Program	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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