

Press Release
Dish TV India Limited
January 04, 2023



Rating Downgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	450.00	ACUITE BB- Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	450.00	-	-

Rating Rationale

Acuite has downgraded and withdrawn the long-term rating to '**ACUITE BB-' (read as ACUITE double B minus)** from '**ACUITE BB' (read as ACUITE double B)** on the Rs. 450.00 crore bank facilities of Dish TV India Ltd (DTIL) .

The rating has been withdrawn on account of the request received from the company, and NOC received from the banker as per Acuite's policy of withdrawal of ratings. The rating has been downgraded on information risk.

About the 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 expanded its reach overseas via Dish TV Lanka Private Limited (DLPL). However, with effect from September 28, 2022 Dish Group has divested its entire stake in 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.

Analytical Approach
Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

Key Rating Drivers

Strengths

> **Strong Brand Presence**

Dish Group 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 market with its reach extending to 9,300 towns aided by the network of 2,54,000 dealers/recharge outlets and 2,900 distributors. DTIL's market share currently stands at 22.04% percent as of May 2022. To maintain their position as one of the market leaders, the company merged with Videocon D2H 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. Acuite believes Dish group will continue to benefit from its long track of operations and nationwide presence over the medium term.

> **Moderate financial risk profile**

Dish Group's financial risk profile is moderate, marked by its modest net worth, low gearing, and moderate debt protection metrics. The net worth decreased to Rs. 875.42 crore as of March 31, 2022, as against Rs. 2628 crore in the previous year. The decline is mainly due to losses incurred by the Group. An exceptional item of Rs. 2653.88 Cr was written off during the year which comprised of Rs. 203.00 Cr as an impairment charge on intangible assets under development and related advances, Rs.1616.9 Cr and Rs. 717.7 Cr respectively as an impairment charge on the goodwill and intangible assets acquired from Videocon d2h Limited in FY 2017-18 and Rs.116.3 Cr recognised as a foreign exchange fluctuation loss due to the ongoing economic crisis in Sri Lanka. As on March 31, 2022, the Group had subsidiary Dish TV Lanka (Private) Limited (Dish Lanka). The Group has completed divestment of its stake in the unit wef 28th September 2022. The group's gearing was 0.46 times as of March 31, 2022, up from 0.32 times the previous year. The total debt of Rs. 400.31 crore consists of long-term debt of Rs. 295.79 crore and Rs. 105.52 crore of working capital limits as of March 31, 2022. In addition, by the end of FY2023, the Group plans to raise additional debt of Rs.500 crore through the issuance of non-convertible debentures. The Group plans to utilise these funds towards repayment of its existing financial liabilities and general corporate purposes. The interest coverage ratio stood at 5.49 times in FY2022 as against 4.91 times in the previous year. The NCA/TD ratio stood at 4.93 times in FY2022 against 1.37 times in FY2021.

Acuite believes that with the expected usage of additional debt raised towards payment of existing liabilities, the overall financial risk profile of the Group will continue to remain moderate over the medium term.

Weaknesses

> **Declining Revenues and Profitability**

The operating income of the Dish Group has recorded a declining trend since the last four years, as the revenues reduced to Rs. 2802.49 crore in FY2022 from Rs.6166.13 Cr in FY2019. On year on year basis, the operating income declined by 13.75% as the revenue stood at Rs. 3249.36 crore in FY2021. The decline in revenues is mainly on account of the reducing subscriber base of Dish TV India Limited. The market share of Dish Group declined to 22.04% in May, 2022 from 31.23 percent in September, 2019. The fall in subscriber numbers is due to top-end subscribers alternating between DTH and streaming content and bottom-end subscribers often choosing free-to-air DTH over pay DTH. Also, factors such as volatile viewing habits, the emergence of the second and third wave of the COVID-19 pandemic, high inflation, and conservative spending added to the decline in revenue. PAT margins stood at (66.63) % in FY22 against (36.62) % in FY21. The net loss for FY2022 stood at Rs. (1867.23) crore and at Rs. (1189.86) crore for FY2021. The group reported exceptional losses of Rs. (2653.90) crore for FY2022 which was mainly impairment losses charged over its intangible assets.

Acuite believes that due to sustained competition from OTT platforms and free-to-air Dish Services and an overall declining trend in subscribers base, the Group's ability to improve its revenues and profitability over the medium term will remain a key rating monitorable.

> **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 Honourable Telecom Disputes Settlement & Appellate Tribunal and the matter remains pending. 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. 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, anticompetitive behaviour, 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.

Rating Sensitivities

- Favourable 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 946.53- Rs.988.14 crores during FY2023-2024 against repayment obligations of Rs 8.20- Rs.196.15 crore for the same period. Further, the contingency of the disputed license fee amounting to ~Rs.4164.05 Cr for which provision of Rs. 3945.06 Cr is created as on FY 2022 remains. The cash and bank balance stood at Rs. 73.73 crores and current ratio of the group stood low at 0.26 times as on March 31, 2022. The average working capital limits utilization stood at around ~68 percent for the last 7 months period ending in October 2022. Acuite believes materialising of the contingent disputed license fee against the Group would negatively impact the liquidity of the group.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2802.49	3249.36
PAT	Rs. Cr.	(1867.23)	(1189.86)
PAT Margin	(%)	(66.63)	(36.62)
Total Debt/Tangible Net Worth	Times	0.46	0.32
PBDIT/Interest	Times	5.14	4.86

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

CARE vide its Press Release dated 3rd October, 2022 has marked the company as CARE A4 (CWN) 'Issuer Not Co-operating'

Any other information

The financial statements of the group for FY2022 and FY2021 are not ratified by its shareholders.

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2022	Proposed Commercial Paper Program	Short Term	50.00	ACUITE A4+ (Withdrawn)
	Dropline Overdraft	Long Term	450.00	ACUITE BB (Downgraded from Acuite BB+, Rating Under Watch)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	450.00	ACUITE BB- Downgraded & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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