



Press Release
DISH INFRA SERVICES PRIVATE LIMITED
January 09, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	500.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	500.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BB- (read as Acuite double B minus)** on the Rs.500 crore proposed NCD facility of Dish Infra Services Private Limited (DISPL) The Outlook is '**Stable**'

Rationale for Assigning the Rating

The rating assigned reflects the established presence of Dish Group in the domestic direct to home industry, an established subscriber base in Tier 2 and Tier 3 cities 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 in metros and intense competition in the industry.

The operating income of the Group declined by 13.75 percent in FY2022 to Rs.2802.49 Cr as against Rs.3249.36 Cr in FY2021. Dish Tv's market share declined to 22.84 percent in June 2022 from 23.45 percent in June 2021.

The impact of recent assignment of stake in DTIL by Yes Bank Limited to an asset reconstruction company and the impact of crystallization of liabilities pertaining to the license fee other disputed liabilities is yet to be ascertained. 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 thereon. Although, Dish TV India Limited had already made provisions for this event to the tune of Rs.3945.06 Cr as on March 31, 2022, which includes the interest as well. The matter is currently sub-judice and pending before the Honourable High Court of Jammu and Kashmir. Going forward, Group's ability to improve its operating performance marked by improving revenues and market share while maintaining its profitability margins and impact of change in ownership over the medium term, will remain a key rating monitorable.

About Company

Incorporated in 2014, Dish Infra Services Private Limited is wholly owned subsidiary of Dish TV India Limited (DTIL). From April 1, 2015, onwards, under the scheme of demerger, infrastructure & support business of DTIL was transferred to DISPL. The scheme enabled the management to streamline the Group's operations wherein DTIL shall focus on branding and distribution while DISPL shall focus on DTH related infrastructure and service-related aspects. The Group together is engaged in providing direct-to home satellite television services.

About the Group

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. 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.

Standalone (Unsupported) Rating

Not Applicable

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

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 20 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 22.84% percent as of June 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. 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

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 as of March 31, 2022 consists of long-term debt of Rs. 295.79 crore and Rs. 105.52 crore of working capital limits. The

total outstanding debt as on December 31, 2022 stood at Rs.139.00 Cr. However, 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, planned capex 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 percent 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 22.84 percent in June, 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. EBITDA margins stood at 58.67% as against 62.07% , generating operating profits of Rs.1644.28 Cr and Rs.2016.99 Cr respectively. PAT margins stood at (66.63) % in FY22 against (36.62) % in FY21 generating a net loss of Rs. (1867.23) crore for FY2022 as against Rs. (1189.86) crore for FY2021. The net loss is primarily due to reported exceptional losses of Rs. (2653.90) crore for FY2022 and Rs.(779.81) Cr for FY21 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 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.

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

- 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 946.53- Rs.988.14 crores during FY2023-2024 against repayment obligations of Rs 86.20- Rs.196.15 crore for the same period. Further, the contingency of the disputed license fee amounting to ~Rs.4,164.05 Cr for which provision of Rs. 3,945.06 Cr is created as on FY 2022 remains. The cash and bank balance stood at Rs. 182.18 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: 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 because of crystallization of disputed liabilities and license fee in excess of the provision made by the company for the same

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)

None.

Any Other Information

Audited Financials for FY2020-2021 and FY2021-2022 have not been ratified by the shareholder's of the Group.

Applicable Criteria

- Application Of 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>
- 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

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 :

Not Applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	500.00	ACUITE BB- Stable Assigned

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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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