

## Dish TV India Limited

May 10, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Short-term Bank Facilities	190.00 (enhanced from 90.00)	<b>CARE A1+ [A One Plus]; Continues on credit watch with developing implications</b>	<b>Continues on credit watch</b>

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to the short-term bank facilities of Dish TV India Ltd (DTIL) continue to factor in DTIL's strong parentage and continued leadership position in the Direct-to-Home (DTH) industry with market share of about 25% (based on gross subscribers as on December 31, 2017 as per market estimates), consistent operational performance driven by a rise in its subscriber base wherein the total subscribers increased from 14.5 million in FY16 to 15.5 million in FY17 which further increased to 16.1 million as on 9MFY18 as well as the expected synergy benefits to arise on integrating the business operations of Videocon d2h Limited with DTIL.

The above rating strengths are however tempered by DTIL's (Consolidated) high debt-funded capital investments and long gestation period typically associated with the DTH industry, necessitating substantial funding support, currency risk associated with procurement of Consumer Premise Equipment's (CPEs) and limited ability to increase the subscription package price on account of highly competitive landscape. Furthermore, the rating also takes into account the substantial provision made by DTIL (Consolidated) towards license fee costs, which upon materialization would necessitate incremental debt funding.

*The ability of the company to improve the operating profitability amidst increasing competition, successfully integrate the business operations of Videocon d2h Limited with DTIL, amicably settle the long ongoing dispute towards license fees and maintain its current debt levels constitute the key rating sensitivities.*

The above ratings are placed under 'Credit Watch' with developing implications on account of the ongoing merger of Videocon D2H Limited (VD2H) with DTIL. CARE will take a view on the ratings once the exact implications of the above acquisition on the credit risk profile of DTIL are clear and when the merger integration process is completed.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### **Strong promoter group & experienced management**

DTIL is promoted by Essel group having its presence across media value chain including television broadcasting, cable distribution, direct-to-home satellite service, digital media, multiplexes, amusement parks and print media amongst others with ZEEL being the flagship company. Further, the promoters are supported by experienced and qualified management team.

##### **Strong brand presence with leadership position in DTH segment and strong distribution network**

DTIL continues to be a market leader holding around 25% market share in a six player market (based on gross subscribers as on December 31, 2017 as per market estimates). Post the merger of Videocon d2h with Dish TV, the merged entity i.e. Dish TV Videocon Limited is expected to earn a commendable position in the DTH segment. DTIL has a vast distribution network of over 2,272 distributors and over 243,740 dealers that span across 9,431 towns in the country.

***Financial performance deteriorated in FY17, however the performance revived during 9MFY18. Also, liquidity position and debt coverage metrics remain comfortable***

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The financial performance of the company deteriorated mainly on account of deterioration in various operational parameters during the last two quarters of FY17. The total income for FY17 registered a de-growth of 2.15% to Rs.3051crore. Accordingly, PBILDT and PAT margins were also lower when compared to FY16 levels. However, the performance has revived during 9MFY18. The company earned an operating revenue of Rs. 2262 crore during 9MFY18 (as compared to Rs. 2344 crore earned during 9MFY17).

DTIL has maintained a strong liquidity position (Cash and Cash Equivalent balance of Rs.367 crore as on March 31, 2018 (as compared to Rs. 292 crore as on March 31, 2017). Also, interest coverage and total debt to GCA remain comfortable.

***Merger of Videocon d2h Limited into Dish TV India Limited thereby creating a leading Cable and Satellite distribution platform***

Effective March 22, 2018, Videocon d2h Limited has merged with Dish TV India Limited thereby creating a combined entity, Dish TV Videocon Limited. The combined entity is expected to own the highest market share i.e. 43% with a combined subscriber base of approx. 29.51 million (estimates as on December 31, 2017). The ongoing business integration is probable to generate various synergy benefits on account of reduction in content costs, savings in transponder costs, higher bargaining power in carriage fees and advertisement revenue and procurement of set top boxes at lower rates.

**Key Rating Weaknesses**

***Variability in currency rate may affect the financial profile of Dish Infra Services Private Limited (DISPL) albeit corrective measures initiated by the management***

The CPEs rented/leased to the subscribers are majorly imported from Korea due to marginal presence of CPE manufacturers in India. This has led to larger outflow of forex and an increased exposure of depreciating INR against USD. DISPL funds these imports majorly by availing debt (medium term buyers' credit facility in USD). This strategy postpones the forex loss related to debt in proportion to its term repayments. The foreign exchange fluctuations gain/loss is capitalized as a fixed asset cost. This strategy results in limited impact of forex loss on profitability as company recognizes such loss in proportion to the amortization term of fixed assets. As Rupee depreciates against Dollar, it increases the liability on account of forex debt which further affects the financial profile of DISPL, especially its net worth.

***High provisioning towards disputed regulatory dues***

DTIL has filed a petition before the Honorable Telecom Disputes Settlement & Appellate Tribunal (TDSAT) regarding a demand letter received by MIB alleging a short payment in license fees paid. This has occurred due to interpretational differences of the term 'Gross Revenue', basis which license fees are paid. In the meanwhile, the company continues to create a provision for the same (Rs. 1397.4 crore as on March 31, 2017). In the event the demand materializes, the company may have to raise additional debt.

***Future Prospects – Scope for growth remains; however, competition from alternate technology platforms is a threat***

The Broadcasting industry during the course of time has witnessed momentous steps being taken by the Industry and the Government to entirely convert the analog infrastructure into digital as per the roadmap laid out under the Digital Addressable Systems (DAS) Regulations of the Government of India. However, Dish TV continues to face increasing competition from its peers and from alternative technology platforms such as digital cable, IPTV and OTT. Accordingly, ability of DTIL to maintain its ARPU amidst the increasing competition faced both from its peers and allied technology platforms forms a key rating sensitivity.

**Analytical approach:** Consolidated

The consolidated financials include financials of DTIL, Dish TV Lanka Private Limited and DISPL

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)  
[Criteria for placing rating on credit watch](#)

### About the Company

Dish TV India Limited (DTIL), a part of Essel group of companies, is India's first direct to home (DTH) company to launch its service in 2003. DTIL has a bandwidth capacity of 846 MHz with an ability to deliver more than 615 channels & services including 30 audio channels and over 67 HD channels & services. It has a vast distribution network of over 2,272 distributors & over 243,740 dealers that span across 9,431 towns in the country. It continues to be a market leader holding around 25% market share in a six player market (based on gross subscribers as on December 31, 2017 as per market estimates).

Effective April 1, 2015, as per scheme of demerger, Infrastructure & Support Business was transferred from DTIL to its wholly owned subsidiary Dish Infra Services Private Limited (DISPL). The Scheme has enabled the management to streamline operations wherein DTIL will focus on branding and distribution while DISPL will focus on DTH related infrastructure and service related aspects.

Effective March 22, 2018, Videocon d2h Limited has merged with Dish TV India Limited thereby creating a combined entity i.e. Dish TV Videocon Limited. The merger is expected to create a leading Cable and Satellite distribution platform in India.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	3118	3051
PBILDT	1113	1032
PAT	692	109
Overall gearing (times)	3.71	2.71
Interest coverage (times)	5.33	4.61

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	190.00	CARE A1+ (Under Credit Watch)

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (11-Feb-16) 2)CARE A (10-Jul-15) 3)CARE A (05-Jun-15)
2.	Non-fund-based - LT-Letter of credit	LT	-	-	-	-	-	1)Withdrawn (11-Feb-16) 2)CARE AA (SO) (10-Jul-15)
3.	Non-fund-based - ST-BG/LC	ST	190.00	CARE A1+ (Under Credit Watch)	-	1)CARE A1+ (Under Credit Watch) (07-Dec-17)	1)CARE A1+ (Under Credit Watch) (25-Nov-16) 2)CARE A1+ (21-Oct-16) 3)CARE A1+ (18-Jul-16)	1)CARE A1 (10-Jul-15) 2)CARE A (05-Jun-15)
4.	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (10-Jul-15) 2)CARE A (05-Jun-15)
5.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (11-Feb-16) 2)CARE AA (SO) (10-Jul-15)
6.	Fund-based - LT-Term Loan	-	-	-	-	-	-	1)CARE A (05-Jun-15)

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