Dish TV India Limited

October 05, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Short Term Bank Facilities	500.00 (Reduced from 600.00)	CARE A4 (CWN) (A Four) (Under Credit watch with Negative Implications)	Continues to be on Credit watch with Negative Implications
Total Bank Facilities	**500.00 (Rs. Five Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of DTIL continue to factor in the reduced financial flexibility consequent to high pledge of the promoter holding in its listed group companies, and increasing competition faced both from peers and allied technology platforms in a highly regulated DTH industry. Furthermore, the ratings also take into account the substantial provision made by DTIL (consolidated) towards license fee, which upon materialization would necessitate incremental debt funding. The ratings also consider the decline in the active subscriber base and consequent decline in topline of the company.

The ratings, however, continue to derive strength from experience of the promoters and professional management team, long track record of the company's operations, reduction in debt levels and subsequent improvement in gearing levels, and DTIL's strong position in DTH industry.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Favorable verdict from Supreme court on license dispute
- Release of pledge on the shares of DTIL due to repayment of debt by promoter group
- Improvement in the operational performance of DTIL by way of increase in net subscriber additions by 30%
- Improvement in PAT to Rs. 500 crore or above.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Adverse ruling by supreme court resulting in immediate payment of license fee amounting to at least Rs. 4,164 crore plus interest
- Increase in total debt levels resulting in TOL/TNW greater than 4x

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in subscription revenue with decline in active subscriber base

Subscription revenue has remained on a declining trend in the recent past due to lower spend on acquisition of new clients and increased competition. Activation charges and subscription charges are the two main components of subscription revenue. Due to the pandemic, the company had to reduce capex (which aids in the acquisition of subscribers) and hence the subscriber base of the company declined in FY21. Consequently, the total operating income of the company declined from Rs. 3,563.28 crore in FY20 to Rs. 3, 264.96 crore in FY21.

The growth has also been tempered by the increasing competition faced both from Doordarshan's Free Dish and its peers wherein competitive packs are offered in the market to gain market share. Evidently, market share of DTIL has declined from 31% in FY20 to 25% in FY21. Accordingly, amongst the increasing competition faced, the ability of DTIL to maintain its operating margins (PBILDT) without jeopardizing its market share amongst the DTH players forms a key rating monitorable.

High provisioning towards disputed regulatory dues

DTIL had filed a petition before the Honorable Telecom Disputes Settlement & Appellate Tribunal (TDSAT) regarding a demand letter received from Ministry of Information & Broadcasting (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

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

meanwhile, the company continues to create a provision on a conservative basis. As on March 31, 2021, DTIL has created a provision of Rs. 3744 crore (vis-a-vis Rs. 3578 crore as on March 31, 2020).
Further, Ministry of Information and Broadcasting (MIB), vide its letter dated December 24 2020, intimated DTIL that basis the accounts of the company and payment made by the company towards license fee from date of issuance of DTH License till Financial Year 2018-19, an amount of Rs.4164.05crore (including the License Fee payable and accrued interest) is payable by the company and had directed the company to remit the same within a period of 15 days. However, the MIB had mentioned that the amount is further subject to verification and audit and the outcome of various court cases pending before the TDSAT, the High Court of Jammu and Kashmir and the Supreme Court of India, in the matter of DTH License fee.
As per the management, the Hon'ble High Court of Jammu and Kashmir had allowed the company to continue making payment of the License Fee as per order dated 28.05.2010 passed by the TDSAT. Further, according to the management there would be no impact of the said letter till the matter is finally decided by the respective courts. In the event the demand materializes, the company may have to raise additional debt.

Highly regulated industry
The industry is highly regulated which could possibly affect the business model. In the recent past, the industry witnessed some reforms like transition to the GST regime and new tariff order. The National Tariff Order 2.0 issued by the Telecom Regulatory Authority of India (TRAI) mandates the service providers to provide 200 FTA channels at the base price of Rs.153 (inclusive of taxes). DTH and cable TV distribution providers have been mandated not to charge more than Rs.160 per month for providing all channels available on their platform. Cap on pay channels has now been kept at Rs.12 against Rs.19 in the past. Further the sum of a-la-carte channels forming bouquet should not exceed one and a half times of the bouquet's overall price. Dish TV was the first in the industry to partially, and voluntarily, roll out the provisions of the TRAI tariff order by offering cost-effective channels to its subscribers.

Key Rating Strengths

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 and digital media amongst others, with ZEEL being the flagship company. The chairman & managing director of the company Mr. Jawahar Lal Goel has overall five decade of diversified experience which includes entertainment industry as well. He has been the key personnel in establishing the cable distribution network of various TV channels and technological infrastructure for the implementation of DTH services. He is well supported by experienced and qualified management team.

Strong brand presence with leadership position in DTH segment and strong distribution network
The Company has a huge distribution network of over 3,100 distributors & around 3,03,000 dealers/recharge outlets that span across 9,300 towns in the country. Post the amalgamation of Vd2h into DTIL, DTIL continues to maintain a strong market position occupying 25% market share, amongst the DTH players as on March 31, 2021. The company has an active subscriber base of around 13.62 million as on March 31, 2021.

Moderate capital structure and improved debt coverage indicators
The actual business performance post-merger of DTIL and Videocon D2h has been lower than estimated. Thus goodwill appearing in the books of DTIL has been impaired by ~Rs. 1563 crore as on March 31, 2019, by ~Rs.1916 crore as on March 31, 2020 and by ~Rs. 579 crore as on March 31, 2021 by the company. Despite erosion of net worth due to impairment of goodwill, the overall gearing improved to 0.24x as on March 31, 2021 as against 0.49x as on March 31, 2020. This was due to reduction in total debt to Rs. 774.98 crore as on March 31, 2021 (vis-à-vis Rs. 1867.72 crore as on March 31, 2020) because of large scheduled repayments during the year. Although, total outside liabilities to total net worth has deteriorated marginally from 2.08x in FY20 to 2.16x in FY21, due to net worth erosion.

Liquidity: Adequate
The liquidity profile of the company (consolidated) is adequate due to satisfactory cash accruals vis-à-vis repayment obligations. Although, cash and bank balance has improved slightly to Rs. 155.47 crore as on March 31, 2021 (vis-à-vis Rs. 145.63 crore as on March 31, 2020). As on June 30, 2021, unencumbered cash balance is Rs. 90.38 crore.
Its capex requirements are moderate which would be funded through internal cash accruals. In FY22, the company will have to make total debt repayment of ~Rs. 304 crore, which the company should be able to manage from gross cash accruals projected at ~Rs. 2,203 crore.

Analytical approach:
The consolidated financials of DTIL have been considered for analytical purposes owing to financial linkages in the form of explicit corporate guarantee and operational linkages between the company and its subsidiaries. List of companies that are consolidated to arrive at the ratings are given below.

Name of the Company	% of holding as on March 31, 2021
Dish Infra Services Private Limited	100%
C&S Medianet Private Limited	51%
Dish T V Lanka (Private) Limited	70%

Applicable Criteria
Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies

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. Effective March 22, 2018, Videocon d2h Limited (which launched its service in 2009) has been amalgamated with and into Dish TV India, with October 01, 2017 being the appointed date. The combined entity has an active subscriber base of 13.62 million with a market share of 25% in the DTH segment as on March 31, 2021.
The Company owns recognised brands like 'DishTV', 'd2h' and 'Zing' under its umbrella. Dish TV, under its three brands, offers a large number of SD and HD channels to cater to the requirements of the customers spread all across the country in addition to providing various Value-Added Services. The company also provides a wide range of packages that caters to all segment keeping in mind the needs of various customers.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)
Total operating income	3563.28	3264.96
PBILDT	2125.67	2032.59
PAT	-1654.84	-1189.86
Overall gearing (times)	0.49	0.24
Interest coverage (times)	3.76	4.86

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information:
Disclosure of Interest of Independent/Non-Executive Directors of CARE:

Name of Director	Designation of Director
Mr. Adesh Kumar Gupta	Independent Director (Additional Director)

Mr. Adesh Kumar Gupta who is Director on the Board of ZEE Entertainment Enterprises Limited, Essel Finance Business Loans Limited, and Essel Finance AMC Limited is an Independent Director (Additional Director) of CARE. Independent Directors of CARE are not a part of CARE's Rating Committee and do not participate in the rating process.

Disclosure of Interest of Managing Director & CEO:
Not Applicable

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

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	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	-	-	-	-	50.00	CARE A4 (CWN)
Fund-based - ST-Cash Credit	-	-	-	-	450.00	CARE A4 (CWN)

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - ST-BG/LC	ST	50.00	CARE A4 (CWN)	-	1)CARE A4 (CWN) (06-Jan-21)2)CARE A4 (25-Aug-20)	1)CARE D (06-Dec-19)2)CARE A4+ (25-Nov-19)3)CARE A3+ (08-Jul-19)	1)CARE A1 (CWN) (08-Feb-19)2)CARE A1+ (07-Jan-19)3)CARE A1+ (05-Oct-18)4)CARE A1+ (CW) (10-May-18)
2	Fund-based - ST-Term loan	ST	-	-	-	1)Withdrawn (25-Aug-20)	1)CARE D (06-Dec-19)2)CARE A4+ (25-Nov-19)3)CARE A3+ (08-Jul-19)	1)CARE A1 (CWN) (08-Feb-19)2)CARE A1+ (07-Jan-19)
3	Fund-based - ST-Cash Credit	ST	450.00	CARE A4 (CWN)	-	1)CARE A4 (CWN) (06-Jan-21)2)CARE A4 (25-Aug-20)	1)CARE D (06-Dec-19)2)CARE A4+ (25-Nov-19)3)CARE A3+ (08-Jul-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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