

**Rating Rationale**  
**Dish Media Network Limited**

**Rating**

Facility	Amount (Rs. In Million)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	567.77	CARE-NP BBB [Triple B]	Reaffirmed
Short Term Bank Facilities	1,780.00	CARE-NP A3 [A Three]	Reaffirmed
Issuer Rating	NA	CARE-NP BBB (Is)* [Triple B (Issuer)]	Assigned
<b>Total Facilities</b>	<b>2,347.77</b>		

\*The issuer rating is subject to the company maintaining overall gearing not exceeding 1.60x.

*Details of Facilities in Annexure 1*

CARE Ratings Nepal Limited (CRNL) has assigned ‘CARE-NP BBB (Is)’ rating to Dish Media Network Limited (DMNL) and has reaffirmed rating of ‘CARE-NP BBB’ assigned to the long-term bank facilities and ‘CARE-NP A3’ assigned to the short-term bank facilities of DMNL.

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Dish Media Network Limited (DMNL) derives strength from track record of operations and strong brand presence in direct-to-home (DTH) service, experienced board and management team, financial and technical supports from promoter and promoter's group companies, growth in subscription revenue with increase in average revenue per unit (ARPU) during FY19 (refers to 12 month period ended mid-July 2019), comfortable financial risk profile and debt service coverage indicators, expansion of service coverage with internet service and latest technology to increase outreach. The ratings, however, are constrained by exposure to foreign exchange fluctuation risk, competition in Industry, high capital and technology intensive industry, working capital intensive nature of operations and impact of COVID-19 on the business of the company.

Ability of the company to manage the growth and maintain profitability margins without deterioration in its financial risk profile will be the key rating sensitivities.

**Detailed Description of the Key Rating Drivers**

**Key Rating Strength**

***Track record of operation and strong brand presence in DTH service***

DMNL is operating since last 10 years and is the leading direct-to-home (DTH) service operator in Nepal. The company presently has around 1.13 Mn active customer base as on mid-April 2020. DMNL also continuously increasing number of channels with more High Definition (HD) content, where the number of channels offered has reached to 208 channels with 51HD and 157SD (Standard Definition). DMNL has also started developing its own content and is currently telecasting 16 own channels which are not

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratingsnepal.com](http://www.careratingsnepal.com)

available on other networks. Also, DMNL has launched Over-The-Top (OTT) services with an App called "DishHome Go" with 20 premium linear channels in live network.

***Experienced board & management team***

DMNL has five experienced directors on its board lead by Mr. Hem Raj Dhakal who is chairman of company. Mr. Dhakal is Managing Director of IME Group of Companies, chairman of IME General Insurance Ltd., Hathway Investment Nepal Ltd. and director of Chandragiri Hills Pvt. Ltd. The day to day operations of the company is headed by Mr. Sudeep Acharya, managing director of the company and is also the chairman of Kamana Sewa Bikas Bank Ltd. He is assisted by an experienced team across various functions.

***Financial and technical supports from promoter and promoter's group companies***

Sandmartin International Holdings Limited, Hong Kong (SMIHL, major shareholder of DMNL) have been supporting the company in terms of technological know-how, developing systems & processes and financially. SMIHL along with its group companies keep funding for the growth of DMNL through various debt facilities during the initial year of operations. SMIHL also infused equity over the years for the growth of the company.

***Growth in Subscription revenue with increase in ARPU***

DMNL has grown to be Nepal's largest digitalization service provided through DTH service. During FY19, DMNL's active subscriber base has grown by 10% resulting in increase in subscription revenue by 41%. However, revenue from sales of customer premises equipment (CPE) has decreased by 58%. DMNL also achieved growth in Average Revenue Per Unit (ARPU) during FY19. DMNL has managed to maintain its market share in Nepal and also increase its subscription revenues in the past. Also, the additional transponders have started providing benefits to DMNL in terms of capacities for providing additional HD channels. The ability of the company to retain the acquired customers, thereby reducing churn through competitive pricing and content offering while maintaining its profitability would be key to its future prospects.

***Comfortable financial risk profile and debt coverage indicators***

The financial risk profile of the company is comfortable with increase in scale of operations during FY19. Company achieved the total revenue of Rs 4,253 Mn (7.67% Y-o-Y growth) during FY19. However, DMNL reported decline in PBILDT and PBILDT margins during FY19 due to increase in cost of goods sold on account of addition of satellite transponder and increase in content cost. Additionally, selling & distribution expenses increased by 41% in FY19 due to increase in dealer commission. PAT of the company decreased in absolute numbers, despite increase in total revenue during FY19. The decline in PAT is mainly due to decline in PBILDT, high depreciation and increase in interest cost.

The debt equity ratio of the company improved to 0.66x at the end of FY19 as compared to 0.83x in FY18 on the back of repayment of term loan and increase in networth due to accretion of profit to the net

worth. Overall gearing ratio of the company improved to 1.54x at the end of FY19. DMNL's Total Debt to Gross Cash Accruals (GCA) was low at 2.11x and the interest coverage ratio of the company was comfortable at 12.69x.

***Expansion of the service coverage with internet service***

Dish media is the only DTH service provider in Nepal. The company is providing the services since last 10 years. Dish Home is planning to expand its coverage by providing internet service in Nepal via satellite and fiber in future. DMNL also has received the ISP (Internet Service Provider) license on February 25, 2020. The company will provide the internet service in remote places through VSAT Technology whereas in city and suburban areas the internet will be propagated by optical cables.

***Latest technology and capacities to increase outreach***

DMNL has its own broadcast and technical operations team for acquisition, compression, encryption and delivery of national & international HD and SD Channels from different satellites to the customer through DTH technology. As on October 2014, DMNL was operating with 3 transponder of 108 MHz each, on August 2016 and August 2018, the company added half transponder (i.e. 54 MHz) and one transponder respectively. Currently, the company has 4.5 transponder of 486MHz capacity

**Key Rating Weakness**

***Exposed to foreign exchange fluctuation risk and incurred losses during FY19***

The CPEs installed at the subscribers' premise are majorly imported from China. The procurement of CPEs which is positively co-related with the growth in subscriber base has led to large outflow of forex. DMNL had no earnings in foreign currency neither any hedging was done with depreciating NPR against USD. During FY19, DMNL incurred foreign exchange loss of Rs. 21 Mn.

***Competition in Industry***

DMNL is the leading DTH Services company operating in Nepal but with increase in digitalization, number of digital media has grown significantly. Similarly, established Internet Service Providers launching the IPTV services has further adds the competition for DMNL. Various other competitors with different platform are providing the same services through Multi System Operator (MSO), IPTV and Digital Video Broadcasting (DVB –T2). Going forward, the proliferation of Over-The-Top (OTT) platforms due to availability of internet access at cheaper rates and growing penetration of smartphone and Smart TVs segment is also expected to add competitive pressure in the industry.

***High capital and technology intensive industry***

It is an inherent nature of DTH industry which requires high capital investments and long gestation period necessitating substantial funding support. Reserve and Surplus of DMNL in FY18 was negative which has significantly improved during FY19 to Rs 122 Mn. Till the end of FY17, the tangible net worth

(TNW) of DMNL was negative, with the accretion of the profits during the last two years, the TNW of the company has improved to Rs. 1,900 Mn at the end of FY19.

#### ***Working capital intensive nature of operations***

The operations of the company are working capital intensive in nature. The company has to invest huge amounts in customer premises equipment (CPE) and other accessories. Generally, DMNL imports CPEs and the payments have to be made in three months to one year of the purchase. However, the full recovery of the same from the customers took more than one year based on the past trends due to which reliance on working capital limits remains high. During FY19, DMNL had inventory holding period of 57 days and average collection period of 19 days. The overall operating cycle during FY19 decreased to 51 days from 65 days in FY18 on account of increase in average creditors days to 25 days in FY19 (FY18:21 days). Accordingly, its average utilization of working capital limit was moderate at around 79% during the last 12 months ended on Mid July 2019.

#### ***Impact of COVID-19 on the business of the company***

The outbreak of Coronavirus disease 2019 (COVID-19) which was recognized as Pandemic by World Health Organization on March 11, 2020, has affected Nepal as well. Government of Nepal (GoN) imposed travel restrictions and countrywide lockdown since March 24, 2020 closing most of the organizations which resulted in slowing down of the economic activities. Considering the nature of the business of DMNL, there was no major impact on the revenue due to the lockdown. The CPEs are majorly imported from China and the antennas are majorly imported from India. With the end of the lockdown in China, the goods have already arrived at the border. However, with the lockdown imposed in India, the supply of antenna was impacted during the lockdown. Also, the company has CPE stock for around 2 months which minimizes the impact to certain extent. Further, the central bank of Nepal has provided an extension of 3 months for the repayment of loans falling due in mid-April 2020 to provide some temporary relief. However, DMNL has not availed the relaxation and has made its debt repayments for quarter ending mid-April 2020.

#### **About the Company**

Dish Media Network Limited (DMNL) is Nepal's leading Direct-to-Home (DTH) service provider with active customer base of around 1.13 Million as of Mid-April 2020. DMNL was incorporated in 2010 after merger of two DTH provider namely Satellite Channel Pvt. Ltd. and Dish Media Network Pvt. Ltd.; and later converted to public limited on July 2, 2017. DMNL has presence all over Nepal with 85 number of dealers, more than 3500 number of sub dealer and 1300 plus service franchises. Sandmartin International Holding Limited, is the major shareholder of the company which holds 47% in DMNL.

**Brief Financial Performance during last 3 years:**

Particulars	FY17 (A)	FY18 (A)	FY19 (A)
Income from Operations	2,704	3,950	4,253
PBILDT	1,320	1,877	1722
PAT	471	609	290
Overall Gearing (times)	NM	2.02	1.54
Interest coverage (times)	11.10	15.88	12.69

\* Not Meaningful

Analyst Contact	Group Head	Relationship Contact
Ms. Elisha Lamichhane <a href="mailto:elisha.lamichhane@careratingsnepal.com">elisha.lamichhane@careratingsnepal.com</a> Tel No.: +977-01-4445473	Mr. Bidhan Ojha <a href="mailto:bidhan.ojha@careratingsnepal.com">bidhan.ojha@careratingsnepal.com</a> Tel No.: +977-01-4445474	Mr. Sajan Goyal <a href="mailto:sajan.goyal@careratingsnepal.com">sajan.goyal@careratingsnepal.com</a> Tel No.: 9818832909/+977-01-445472/3/4

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**Annexure 1: Details of the Facilities rated**

Nature of the Facility	Type of Facility	Amount (Rs. Million)	Rating Assigned
Long Term Bank Facilities	Term Loan	567.77	CARE-NP BBB
Short Term Bank Facilities	Letter of Credit	1280.00	CARE-NP A3
Short Term Bank Facilities	Bank Guarantee	20.00	CARE-NP A3
Short Term Bank Facilities	Overdraft	155.00	CARE-NP A3
Short Term Bank Facilities	Term Loan	325.00	CARE-NP A3
<b>Total</b>		<b>2,347.77</b>	