

February 23, 2016

**The National Stock Exchange of India Limited**  
Exchange Plaza, Fifth Floor  
Plot no. C/1, G- Block  
Bandra Kula Complex  
Bandra (E), Mumbai – 400051

**The BSE Limited**  
15<sup>th</sup> Floor, P J Towers  
Dalal Street, Mumbai - 400001

**Sub: - Revision in Rating**

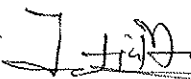
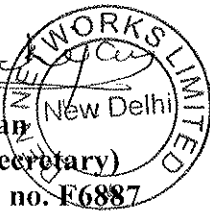
Dear Sir/ Madam,

Please find attached revised rating letter of credit rating agency “ICRA Limited”. The detailed rationale for revision in rating is mentioned in attached letter.

You are requested to take note of the same.

**Thanking You,**  
**Yours faithfully**

**For DEN Networks Limited**

  
  
**Jatin Mahajan**  
**(Company Secretary)**  
**Membership no. F6887**

Encl.: as stated above.

**DEN Networks Limited**

CIN: L92490DL2007PLC165673

Registered Office: 236, Okhla Industrial Estate, Phase-III, New Delhi - 110 020

Landline: +91 11 40522200 || Facsimile: +91 11 40522203 || E-mail: den@denonline.in || www.dennetworks.com

## DEN Networks Limited

Instrument	Amount	Rating
Term Loans	Rs. 513.0 Crore (PY: Rs 575.0 Crore)	<i>Revised to [ICRA]A- (Stable)</i>
Long Term Fund Based Limits	Rs. 50 Crore (PY: Rs 55.0 Crore)	<i>Revised to [ICRA]A- (Stable)</i>
Short Term Non-Fund Based Limits	Rs. 15.0 Crore	<i>Revised to [ICRA]A2+</i>
Long Term/Short Term Unallocated Limits	Rs. 71.2 Crore (PY: Rs 4.2 Crore)	<i>Revised to [ICRA]A- (Stable)/[ICRA]A2+</i>
<b>Total Limits</b>	<b>Rs 649.2 Crore</b>	

The ratings assigned to the Rs 649.2 crore\* bank facilities of DEN Networks Limited ('DEN' or 'the company') have been revised to [ICRA]A-/ [ICRA]A2+ (pronounced ICRA A minus/ICRA A two plus) from [ICRA]A/[ICRA]A1 (pronounced ICRA A/ICRA A one)†. The outlook on the long term rating is "Stable".

The rating revision takes into account weaker than expected performance of DEN's cable business (contributing to nearly 97% of the consolidated revenues in 2014-15) marked by slow growth in ARPU and resultant subscription revenues due to industry-wide on-ground challenges in digitized markets and decline in profitability due to increase in content costs and due to ongoing opex towards rollout of digitization in Phase III and Phase IV markets which are yet to be monetized. This, coupled with losses of the broadband and soccer business has constrained the overall profitability of the company over the last few quarters. While the broadband business is expected to breakeven over a three year horizon, the ability of the company to divest its stake in the soccer business is critical given the investment phase of core businesses.

The ratings, however, continue to draw comfort from DEN's healthy revenue visibility with an existing digital subscriber base of approx.7.6 million and an analog subscriber base of 5.4 million subscribers (as on September 30, 2015) which are yet to migrate to digital cable and the expected growth in operating revenues in the current fiscal driven by strong uptick in activations revenues on account of the December 31, 2015 deadline for Phase III markets. Nonetheless, such incremental activation revenues remain susceptible to any extension granted by the MIB for switching off analog signals in Phase III markets and remapping of certain areas from Phase III to Phase IV which remains a concern for the industry as well. ICRA takes note of the high competitive intensity in the cable distribution segment with the presence of a large number of MSOs and players providing services on alternate technology platforms such as DTH and IPTV, however, the established market position of DEN as one of the largest MSOs in India with a total subscriber universe of nearly 13 million subscribers and strong promoter background in the Indian television industry supported by an experienced management team driving the rollout of digital cable provides comfort. Moreover, over the last two years, DEN has diversified into the broadband services segment which offers healthy business synergies with the cable business and opportunities of offering bundled solutions to consumers and foray into TV commerce and soccer business to improve brand recognition and brand recall amongst subscribers. Going forward, as the company deploys available cash towards ongoing capex in cable and broadband business; increase in external borrowings is expected to moderate the financial flexibility in the near term. However, comfort can be drawn from the lower incremental investment requirements given significant capex has already been incurred and content deals have been renegotiated with

\* Rs 1 Crore = Rs 100 Lakh = Rs 10 Million

† For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



broadcasters, which are expected to support the cash flows and profitability metrics of the company. While activation revenues are expected to support the revenue growth and cash accruals in the current fiscal, over the medium term the ability of the company to improve its ARPU and subscription revenues from the digitized markets will remain a key rating sensitivity.

#### **About the Company**

DEN was incorporated initially as DEN Digital Entertainment Networks Private Limited in July 2007. The company's name was changed to DEN Digital Entertainment Networks Limited in April 2008 and again to DEN Networks Limited (the present name) in June 2008. Currently, DEN is one of the largest cable television companies in India engaged in the distribution of analog and digital cable television services. At present, DEN offers analog cable services in over 161 cities and digital cable services in around 40 cities across India. The company provides cable television services in the National Capital Region (NCR), Uttar Pradesh, West Bengal, Rajasthan, Maharashtra, Gujarat, Karnataka, Haryana, Madhya Pradesh, Bihar, Jharkhand, Uttrakhand and Kerala. Besides cable television services, DEN also has an all-India Internet Service Provider (ISP) licence for offering broadband Internet services. In January 2008, DEN had entered into a 50:50 JV agreement with Star India Private Limited (STAR) to form Star Den Media Services Private Limited (STAR-DEN) which further formed a new 50:50 JV with Zee Turner Limited (Zee Turner), to create Media Pro Enterprise India Private Limited (Media Pro). This company was jointly aggregating and distributing around 70 channels licensed to Star DEN and Zee Turner. However, on 10th February 2014, TRAI barred content aggregators from signing Reference Interconnect Offers (RIOs) with Distribution Platform Operators, which led to disbanding of Media Pro.

#### **Recent Results**

DEN (Consolidated) reported a net loss of Rs 144.0 crore on an Operating Income (OI) of Rs 1,112.3 crore in 2014-15. As per published results for H1, 2015-16; DEN (Consolidated) reported a net loss of Rs 112.7 crore on an OI of Rs 533.4 crore.

**January 2016**

*For further details, please contact:*

**Analyst Contacts:**

**Mr. Subrata Ray** (Tel. No. +91 22 6114 3408)  
subrata@icraindia.com

**Relationship Contacts:**

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**Mobile: **9871221122**Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500