

Press Release

UCN Cable Network Private Limited

January 07, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 15.00 crore bank facilities of UCN CABLE NETWORK PRIVATE LIMITED (UCPL). The outlook is '**Stable**'.

The Nagpur based, UCPL was incorporated in 2006 as multiple system operators (MSO) by Mr. Ashutosh Kane, Mr. Ajay Khamankar and Mr. Jagdish Paliya. The company is engaged in providing Internet and cable distribution services. Existing subscriber base of the company is around 800,000. The company also generates revenue from advertisements, through in-house channels in multiple languages.

Analytical Approach

For arriving at the ratings, Acuité has considered the standalone financial and business risk profile of UCPL.

Key Rating Drivers

Strengths

• Experienced management

The three Directors have been running the company since 1991 in the form of a partnership firm which was later incorporated as Private Limited in 2006. This extensive experience of the management has enabled the company to fetch Average Revenue per User (ARPU) of approximately Rs.51 and geographical expansion in and around Nagpur city of Maharashtra. Going forward, Acuité anticipates improvement in ARPU for MSOs, in the view of Telecom Regulatory Authority of India (TRAI) notification vide press release July 3, 2018.

• Moderate financial risk profile

UCPL has moderate financial risk profile as marked by net worth of Rs.31.43 crore in FY2018 as against Rs.29.01 crore in the previous year. Gearing of the company stood comfortable as indicated by debt to equity ratio at 0.48 times in FY2018, improved from 0.77 times in the previous year. Net cash Accruals to Total Debt (NCA/TD) stood at 0.95 times in FY2018. Interest Coverage Ratio (ICR) stood significantly comfortable at 7.01 times in FY2018 as against 4.74 times in FY2017. Similarly, debt service coverage ratio (DSCR) has improved from 4.52 times in the previous year to 6.56 times in FY2018 on backdrop of reduced obligations.

Weaknesses

• Moderate working capital cycle

UCPL has moderate working capital cycle as marked by Gross Current Asset (GCA) days of 118 in FY2018. Bank facility enjoyed by the company in the form of Cash Credit remains utilised to an extent of more than 90 percent, restricting the current ratio to only 0.67 times in FY2018 as compared to 0.67 times in the previous year.

• Scale of operations

UCPL has relatively small scale of operations as marked by their existing subscriber base of approximately 800,000 users in digital cable segment and around 5300 users in the broadband segment.

Outlook: Stable

Acuite believes that UCPL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than-expected growth in revenues and cash accruals while improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital requirements, or larger-than-expected debt-funded capital expenditure leading to deterioration in the financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	99.29	91.62	106.95
EBITDA	Rs. Cr.	17.92	16.96	17.75
PAT	Rs. Cr.	2.12	0.42	3.33
EBITDA Margin	(%)	18.05	18.51	16.60
PAT Margin	(%)	2.14	0.45	3.12
ROCE	(%)	9.93	7.66	24.58
Total Debt/Tangible Net Worth	Times	0.48	0.77	0.69
PBDIT/Interest	Times	7.01	4.74	4.33
Total Debt/PBDIT	Times	0.84	1.32	1.47
Gross Current Assets (Days)	Days	118	158	239

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB / Stable

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About Acuité Ratings & Research:

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