

Press Release

UCN Cable Network Private Limited

January 07, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE BBB (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE BBB' (read as ACUITE triple B)** on the Rs.15.00 Cr bank facilities of UCN Cable Network Private Limited (UCNPL).

Incorporated in the year 2006, UCNPL- a multi system operator is a Nagpur-based company. The company is promoted by Mr. Ashutosh Kane, Mr. Ajay Khamankar and Mr. Jagdish Paliya. The Company is engaged in retransmitting of satellite broadcasting signals to the cable operators via cables. The company is also engaged in providing broadband services. The company also generates revenue from advertisements through in-house channels in multiple languages.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of UCNPL to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

UCNPL is promoted by Mr. Ashutosh Kane, Mr. Ajay Khamankar and Mr. Jagdish Paliya. The promoters of the company have been engaged in the business line for around three decades. The experience of the promoters has helped in establishing healthy relationships with its customers. The company has already made its presence in and around Nagpur and has expanded to new geographical locations like- Bhopal, Jabalpur, Indore districts of Madhya Pradesh. The revenue of the company stands at Rs.147.16Cr (Prov.) in FY2020 as against Rs.110.60Cr in FY2019. Further, the company has registered an operating income of Rs.73.31Cr (Est.) for FY2021 (6M).

Acuite believes that the company will benefit from the experience of the management and new MRP regime of channels in the aforementioned industry.

• Healthy financial risk profile

UCNPL's financial risk profile is healthy, marked by moderate net worth, low gearing and healthy debt protection metrics. UCNPL's net worth is moderate estimated at around Rs.47.50Cr (Prov.) as on March 31, 2020. The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy accretion to reserves during the same period. The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.64 times and 2.28 times as on March 31, 2019. The leverage levels continue to remain low to around 0.03 times (Prov.) as on March 31, 2020. The company incurred capex of Rs.4.39Cr over the last year to expand its scale of operation. The company on the other hand generated cash accruals in the range of Rs.25.73Cr over the same period.

The revenues of the company increased by around 33.05 percent to Rs.147.16Cr (Prov.) during 2019-20, while its operating margins have improved to 21.11 percent (Prov.) in FY2020 from 17.45 percent in

FY2019. The profitability levels, coupled with low debt levels, have led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY 2020 were healthy at 20.16 times (Prov.) and 25.63 times (Prov.), respectively.

• Working capital management is efficient in nature

UCNPL's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 79 days (Prov.) as on March 31, 2020. UCNPL extends a credit period of around 51 days (Prov.) to its customer and is expecting to reduce to around 30 days in the near future as the company can have better control over its subscribers after the implementation of digitalization and can stop and start a particular set top box from back end. On the other hand, the company gets 126 days (Prov.) credit from its suppliers. As a result, the reliance on working capital limit is low. Acuite expects the working capital management to remain efficient over the medium term on account of limited credit period extended to its customer.

Weaknesses

• Modest Scale of operation

The company has been operating since last fourteen years but still has existing subscriber base of approximately 600,000 users in digital cable segment and around 6,900 users in the broadband segment. The revenue of the company stands at Rs.147.16Cr (Prov.) in FY2020 as against Rs.110.60Cr in FY2019. Further, the company has registered an operating income of Rs.73.31Cr (Prov.) for FY2021 (6M).

Acuite believes the company's ability to scale up its operations will remain a key rating sensitivity factor.

Liquidity Position: Healthy

The company has healthy liquidity marked by healthy net cash accruals to no maturing debt obligations. The company generated cash accruals of Rs.25.73Cr (Prov.) in FY2020 as against no maturing debt obligations during the same period. The company's working capital operations is efficient marked by the gross current asset (GCA) days of 79 days (Prov.) for FY2020. The company maintains unencumbered cash and bank balances of Rs.2.66Cr (Prov.) as on 31 March 2020. The current ratio stands at 0.75 times as on 31 March 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy net cash accruals to no debt repayments over the medium term.

Rating Sensitivities

- Stretch in working capital cycle will lead to deterioration in the liquidity

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	147.16	110.60
PAT	Rs. Cr.	12.82	3.36
PAT Margin	(%)	8.71	3.03
Total Debt/Tangible Net Worth	Times	0.03	0.64
PBDIT/Interest	Times	25.63	9.91

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Feb-2020	Cash Credit	Long Term	10.00	ACUITE BBB/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB/ Stable (Assigned)
07-Jan-2019	Cash Credit	Long Term	15.00	ACUITE BBB/ Stable (Assigned)

*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	10.00	ACUITE BBB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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