



Press Release

UCN Cable Network Pvt. Ltd

Jan 16, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Issuer Rating	-	IVR A-/Stable Outlook (Pronounced as IVR A Minus with Stable Outlook)	Upgraded and removed from INC	Simple
Total	-			

Details of Facilities are in Annexure 1

Detailed Rationale

The issuer rating upgraded of UCN Cable Network Private Limited considers the experience management with established track record, robust financial risk profile and effective working capital management. However, the rating strengths continues to be constrained by intense competition in the cable TV industry and modest scale of operations.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business and subscribers with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.

Downward Factors

- Substantial decline in operating income and cash accrual, a stretch in the working capital cycle driven by stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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Extensive experience of management and established track record

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 extensive knowledge and 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.

Efficient working capital management

The company's working capital operations is efficient marked by the receivable period of 58 days and average creditor period of 95 days. As a result of efficient working capital management, the company was able to reduce their reliance on working capital limits and currently functioning with no debt. We expect the working capital management to remain efficient over the medium term on account of limited credit period extended to its customer.

Key Rating Weaknesses

Intense competition in cable TV business from DTH and alternative media platforms

Despite consolidation in the industry, cable TV—UCN's primary operative segment— will continue to face competition from large MSOs and alternative distribution technologies like DTH. This may impact UCN's ability to increase its subscriber base or force it to offer significant discounts on NCF. In addition, the industry is increasingly facing competition from internet-based alternative media platforms like the OTT services. While implementation of tariff order is a positive for cable distributors, providing inter alia revenue stability, its timely and successful implementation remains a monitorable factor over the near to medium term.

Declining profitability on the back of declining revenues

The company has witnessed top line decline by 5.63% in FY22, from Rs 155.95 Crores in FY21 to Rs 146.30 Crores in FY21 on account of decline in revenues from operator in FY22 due to the impact of COVID 19. On the other hand, the Company has witnessed a surge namely



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in production, telecast expenses and marketing expenses, which has impacted the profitability of the company. PAT margin has declined from 9.85% in FY21 to 7.34% in FY22.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Service Sector Entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)

Liquidity – Adequate

Liquidity is adequate marked by zero repayment obligations as the company is not availing any debt. The company generated gross cash accrual of Rs. 23.78 crore as on March 31, 2022, against no maturing debt obligation in the same period. The company's working capital operations is efficient marked by the operating cycle of -37days for FY2022. The company maintains unencumbered cash and bank balances of Rs. 27.39 Cr as on 31 March 2022. The current ratio stands at 1.77 times as on 31 March 2022. We believe that the liquidity of the company is likely to remain adequate over the medium term on account of healthy gross cash accruals to no debt repayments over the medium term.

About the Company

UCN Cable Network Pvt Ltd was incorporated in the year 2006 at 502, Milestone, 12, Ramdaspath, Wardha Road, Nagpur. UCN is an ISO 9001:2008 certified Company engaged in providing digital cable network services as a multi service operator, having footprints in Vidarbha, Marathwada, parts of MP like Jabalpur, Bhopal, and Indore, among others.

UCN provides 350+ digital and high definition channels and high-speed internet services in the region of Vidarbha and western Maharashtra.



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Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	155.95	146.30
EBITDA	34.20	27.80
PAT	15.38	10.81
Total Debt	-	-
Tangible Net worth*	65.15	75.46
EBITDA Margin (%)	21.93%	19.00%
PAT Margin (%)	9.85%	7.34%
Overall Gearing Ratio (x)	-	-

*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Dated : Oct 11 th , 2022	Date(s) & Rating(s) assigned in 2021-22 Dated : July 26 th , 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Issuer rating	-	-	IVR A-/Stable Outlook (Pronounced as IVR A Minus with Stable Outlook)	IVR BB+/(INC) (IVR Double B Plus with Issuer Non Cooperating)	IVR A-/Stable Outlook (Pronounced as IVR A Minus with Stable Outlook)		-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Issuer rating				-	IVR A-/Stable Outlook (Pronounced as IVR A Minus with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: N.A



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-UCN-cable-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com

