



## Press Release

### UCN Cable Network Private Limited

July 26, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Issuer Rating	NA	IVR A- [IS]/ Stable Outlook (IVR Single A Minus (IS) with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

#### Detailed Rationale

The issuer rating assigned 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

##### 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



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Vidarbha and has expanded to new geographical locations like- Bhopal, Jabalpur, Indore districts of Madhya Pradesh.

### **Robust financial risk profile**

UCN's financial risk profile is characterized by healthy profitability margins with an operating profit margin of 21.11% and PAT margin of 8.59% in FY20, which are further improved to 22.61% operating profit margin and PAT margin of 9.68% as per FY21 provisional financial. The company is debt free and hence debt protection metrics are not applicable. Current ratio as on 31<sup>st</sup> March 2021 was 1.35

### **Efficient working capital management**

The company's working capital operations is efficient marked by the receivable period of 54 days and average creditor period of 100 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.

#### **Modest scale of operations**

UCN is operating in the industry from last fifteen years, however, the existing subscriber base is moderate in digital cable segment in FY20. In FY21, the subscriber base of digital cable



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segment has shown a minimal decline due to nationwide lockdown and discontinuation of connection by some shops and offices. We believe the decline in number of subscribers is temporary in nature and this connection will be renewed once the situation gets stable. UCN has also separated their broadband division which leads to transfer of existing internet subscriber to UCN Fibrenet Private Limited.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **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. 28.33 crore as on March 31, 2021, against no maturing debt obligation in the same period. The company's working capital operations is efficient marked by the operating cycle of -46 days for FY2021 (prov). The company maintains unencumbered cash and bank balances of Rs. 3.60 Cr (Prov.) as on 31 March 2021. The current ratio stands at 1.35 times as on 31 March 2021. 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 in the region of Vidarbha and western Maharashtra.



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### Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2020	31-03-2021
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	147.16	155.90
EBITDA	31.06	35.25
PAT	12.66	15.12
Total Debt	1.28	0.00
Tangible Net worth	47.34	61.10
Adjusted Tangible Networth	44.44	58.20
EBITDA Margin (%)	21.11	22.61
PAT Margin (%)	8.59	9.68
Overall Gearing Ratio (x) on Book TNW	0.03	0.00
Overall Gearing Ratio (x) on Net Adjusted TNW	0.03	0.00

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** India Ratings in its press release dated Jul 10, 2020, has migrated the rating of UCN Cable Network Private Limited to "Issuer Not Cooperating" category due to unavailability of adequate information.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Issuer Rating	NA	NA	IVR A- [IS]/ Stable Outlook (IVR Single A Minus [IS] with Stable Outlook)	-	-	-



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**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](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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- [IS]/ Stable Outlook (IVR Single A Minus [IS] with Stable Outlook)



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Annexure 2: Facility wise lender details: Nil

(<https://www.infomerics.com/admin/prfiles/lenders-UCN-Cable-Network-26july-21.pdf>)