

03 April, 2014

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF
ATRIA CONVERGENCE TECHNOLOGIES PRIVATE LIMITED**

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Fund-based Bank Facilities (Long-term)	27.90	CARE BBB [Triple B]	Revised from CARE BBB- [Triple B Minus]
Total	27.90		

Rating Rationale

The revision in rating on bank loan facilities of Atria Convergence Technologies Private limited (ACT) reflects robust operational performance in FY13 (refers to period April 1 to March 31) and 9MFY14 (refers to the period April 1 to December 31) translating into improved debt coverage indicators. ACT's continues to maintain leading position in broadband internet business in key markets and same contributed around 71% of consolidated income in FY13. Average Revenue Per User (ARPU) in broadband business increased from Rs. 563 per month (pm) as on March 31, 2012 to Rs. 717 pm as on March 31, 2013 and further to Rs. 744 pm as on December 31, 2013. Consequently, operating margins of the company improved from 6.59% in FY12 to 22.12% in 9MFY14. Further, interest coverage ratio of the company improved from 2.03 times in FY12 to 3.95 times in FY13 and further to 4.86 times in 9MFY14.

The rating also factors in strong management backed by an established private equity fund and continuous support by private equity fund - India Value Fund (IVF) which holds 69.66% equity stake in ACT.

The above rating strengths are tempered by high competition and capital intensive nature of cable television & broadband internet industry coupled with long gestation period. The company's recent track record notwithstanding the rating also factors in exposure to technology risk typically associated with broadband internet business.

Ability of the company to achieve continuous growth in subscriber base and maintain low leverage profile remains the key rating sensitivities.

Background

ACT is a private limited company incorporated in FY01 by Mr. C.S.Sundar Raju & Mr. K.Nagaraju. The company through its network of subsidiaries provides cable television and broadband distribution services to subscribers of Bangalore, Hyderabad, Nellore and Vijayawada. It has established dominant market position in broadband business vertical. In FY09, India Value Fund (IVF) acquired 69.66% stake in the company. IVF is one of the major India centric private equity funds which has raised and invested an aggregate amount of USD1.21 billion through four different funds over a period of FY 2000-2011. IVF is promoted by Mr. Vishal Nevatia and the objective of fund is to partner with entrepreneurs and management teams to build valuable, enduring and socially responsible businesses.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications

On a consolidated basis, the company reported operating profits of Rs.44.03 crore on net sales of Rs. 289.80 crore in FY13 as against operating profits of Rs. 12.52 crore on net sales of Rs.190.10 crore in FY12.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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