

Kerala Communicators Cable Limited

April 01, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	6.50	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long-term Bank Facilities*	-	-	Withdrawn
Total Bank Facilities	6.50 (Rs. Six crore and fifty lakh only)		

*CARE Ratings Limited has withdrawn the long-term rating assigned to the bank overdraft facility as the company has closed the aforementioned facility rated by us and there is no outstanding under the said facility as on date as per the closure letter from the banker.

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the long-term bank facilities of Kerala Communicators Cable Limited (KCCL) continues to draw strength from its cooperative enterprise model, wide network coverage across the state of Kerala with a captive subscriber base, growing scale of operations and comfortable capital structure. The rating is, however, constrained by the trend of decline in the profit margins in the last three years; though margins improved in FY21 (refers to the period April 01 to March 31) resumed decline in 9mFY22 (refers to the period April 01 to December 31), limited value-added services offered by KCCL, its geographical presence concentrated in the Kerala market and the business being susceptible to competition from large players and industry regulations.

Rating Sensitivities

Positive Factors: Factors that could lead to positive rating action/upgrade

- Improved profitability margins from the existing levels to 20%-30% on a sustained basis.

Negative Factors: Factors that could lead to negative rating action/downgrade

- Decline in the operating margins on a consistent basis below 15%.
- Gearing exceeding 1.00x.

Detailed description of the key rating drivers

Key Rating Strengths

Co-operative enterprise model

KCCL is promoted by the Cable Operators Association (COA), Kerala, with local cable operators (LCOs) as its shareholders. The day-to-day operations of KCCL are managed by professionals nominated by the executive committee of COA. Most of the members of the COA are the shareholders of KCCL who bring money by way of equity share capital into the company enabling the procurement of set top boxes (STBs).

Wide network coverage across Kerala with a captive subscriber base

KCCL has presence in all the 14 districts of Kerala and as on December 31, 2021, has more than 29 lakh net subscribers. Long-established relationship with the customers maintained by LCOs provides the company with a competitive edge over other players.

Growing scale of operations

The overall income of the company grew by 35% from Rs.251 crore in FY20 to Rs.338 crore in FY21 on account of increase in the subscription rent and higher marketing and promotional fee earned. During FY21, KCCL earned marketing and promotional fee of Rs.82 crore as against Rs.32 crore in FY20. The overall income of the company stood at Rs.234 crore during 9mFY22. Sustained growth in the subscriber's addition has helped the company in increasing its scale of operations. The increase in the subscription charges is mainly due to the subscribers shifting to premium channels and the increase in the cost of pay channels. The company started providing broadband services in FY17 which witnessed a notable growth in the past few years. However, KCCL has shifted its broadband business to its associate company, Kerala Vision Broadband Private Limited, in FY21 for the ease of business. The repair and services business of STB's has also been shifted to its wholly-owned subsidiary, KCCL Digital Services Private Limited, in FY21.

Comfortable capital structure

The company's capital structure continued to remain comfortable with a gearing of 0.03x as on March 31, 2021, and 0.01x as on December 31, 2021. The net worth of the company stood at Rs.186 crore as on December 31, 2021.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Weaknesses

Limited value-added services offered and geographical concentration

KCCL has a moderate scale of operations due to its limited geographic presence and limited value-added services offered. In order to increase its revenues and meanwhile diversify its revenue stream, KCCL obtained internet service provider (ISP) license and launched broadband services from September 2016; however, the same has been shifted to its associate company during FY21.

Profitability susceptible to regulatory changes

The company witnessed continuous decline in its profit margins till FY20. During FY21, mainly due to the sharp increase in marketing and promotional fee, profit margins witnessed an improvement. However, during 9MFY22, the profit margins again moderated due to decreased demand, turning broadband business into an associate company as well as chip shortages for producing STB's which prevented the company from aggressively acquiring new clients. The PBILDT margins improved from 16.74% in FY20 to 21.48% in FY21 due to reasons stated earlier. However, the same has declined to 13.91% during 9MFY22 with fall in the marketing and promotional fee. The company's profitability and pricing power is susceptible to the regulatory changes. Telecom Regulatory Authority of India (TRAI) had implemented NTO 1.0 from April 1, 2019. TRAI had proposed the implementation of NTO 2.0, which is expected to be implemented by June 2022.

Competition from large players and impact of COVID-19 pandemic

KCCL is much smaller than many multi-system operators (MSOs), promoted by big media players like Zee (Siti), Asianet, etc, and DTH players like Dish TV, Tata Sky, Videocon, Sun Direct, etc. The company witnessed a surge in connection during FY21 on account of the people staying and working-from-home as well as implementation of online classes for the students.

Liquidity: Adequate

The liquidity is adequate marked by nil repayment obligations for FY22 as against gross cash accruals (GCA) of Rs.29.44 crore earned in 9mFY22 and a cash balance of Rs.11.45 crore as on December 31, 2021. KCCL holds no inventory, as STBs are ordered based on requirements of the distributors, who pay the proportionate advance amount. The working average capital utilisation for the past 12 months ended February 2022 stood at 27%.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis for Non-Financial Sector](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Methodology for Service Sector companies](#)

[Policy on withdrawal of ratings](#)

About the Company

Kerala Communicators Cable Limited (KCCL) is a Kerala-based company promoted in 2007 by the Cable Operators Association (COA) in Kerala. COA is a conglomeration of more than 4,000 independent local cable operators (LCOs) spread across 14 districts of Kerala. The shares of KCCL are exclusively held by the members of COA in proportion to the number of connections and area served by each LCO.

KCCL was established with the objective of developing the cable TV industry in the state of Kerala by expanding the network, upgrading technology, and generating other sources of income like placements, promotions and advertising revenues. In the past four years, KCCL was focussed on adding infrastructure for digital cable services, in line with the mandatory digitalisation of the cable services target set by TRAI and the Ministry of Information & Broadcasting. KCCL offers extensive cable infrastructure, including cable networking, communication cabling, and signal networking, apart from procuring and supplying set-top boxes (STB) to the LCOs.

KCCL is a registered multi-system operator (MSO) offering digital cable services through the brand name 'Kerala Vision Digital TV' (KVDT). KVDT is the first Internet Protocol TV (IP TV) technology-enabled cable channel in India. KCCL operates a Malayalam general entertainment channel, 'Kerala Vision'. The company also commenced broadband services from September 2016. As on date, KCCL has a net subscriber base of around 29 lakhs as on December 31, 2021.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22(Provisional)
Total Operating income	251	338	234
PBILDT	42	73	33
PAT	16	26	17
Overall Gearing (times)	0.00	0.03	0.01
Interest coverage (times)	36.14	27.26	125.56

A: Audited

NA: Not Applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Bank Lender Details for this Company: Annexure 5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	6.50	CARE BBB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	6.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21)	1)CARE BBB-; Stable (20-Mar-20) 2)CARE BBB-; Stable (01-Apr-19)	-
2	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)CARE BBB-; Stable (31-Mar-21)	1)CARE BBB-; Stable (20-Mar-20) 2)CARE BBB-; Stable (01-Apr-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: *Not Applicable*

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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