

ATRIA CONVERGENCE TECHNOLOGIES LIMITED

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	215.93 (Reduced from 288.03)	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to long-term bank loan facilities of Atria Convergence Technologies Limited (ACT) primarily consider the company's established track record in the wired broadband service business. The rating also reflects the company's consistent operational and financial performance in FY24 (referring to April 01 to March 31).

ACT's strong financial risk profile is characterised by comfortable operating profit margins, favourable debt coverage ratios, a robust capital structure, and a strong liquidity position. The rating continues to benefit from the experienced management team, supported by well-established private equity (PE) firms, True North and TA Associates.

ACT including Internet service providers (ISPs), have contested Department of Telecommunications (DoT) levy of license fee on revenue from pure internet services, which is currently under judicial review. Pending outcome, the company is making provision in its books. At present, ACT is adequately maintaining unencumbered liquid funds to meet the license fee liability, if crystallised. CARE Ratings Limited (CARE Ratings) will continue to monitor the adequacy of these unencumbered liquid funds, as this will be a key rating sensitivity.

Ratings strengths are tempered by the intense competition in the wired broadband industry, where ACT's subscriber base growth is modest compared to its competitors. The rating also takes cognisance of moderation in operating profit margins, which although still healthy is primarily due to expenses related to distribution expenses and technology upgrades aimed at retaining and acquiring customers. The rating considers the capital-intensive operations and the inherent technology and regulatory risks associated with the business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations with enhanced geographical presence while maintaining operating margins.
- Significantly improving market share.

Negative factors

- Deteriorating operating performance with significant decline in revenue by 15% and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins below 35% on a sustained basis.
- Major debt-funded capital expenditure (capex) or investments leading to an increase in the total debt/PBILDT exceeding 0.5x on a sustained basis.
- Unencumbered liquid funds declining below the required level of provisions towards license fee.

Analytical approach: Consolidated

CARE Ratings has considered the company's consolidated financials considering similar business undertaken by its subsidiaries. The entities considered for consolidation are mentioned in Annexure 6.

Outlook: Stable

The 'Stable' outlook reflects the entity is likely to maintain stability in its operating performance with a healthy business risk profile and strong liquidity.

Detailed description of key rating drivers:

Key strengths

Continuous addition of subscriber despite slowdown in wired broadband subscriber

The wired broadband segment experienced a compound annual growth rate (CAGR) of 27% over the last three years ending FY24, driven by increasing digital consumption, digital transformation initiatives, and government projects such as Bharat Net.

In 9MFY25, the wired broadband segment saw modest growth of 3%, largely due to the substantial rise in fixed wireless access (FWA) within the fixed wireless broadband sector, driven by the successful implementation of 5G rollout. While the overall

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

broadband market is expected to expand due to high data consumption, the wired broadband segment is anticipated to face significant competition from emerging technologies such as FWA and low earth orbit (LEO) satellite broadband.

Amid intense competition from major telecommunications service providers (TSPs) and the modest growth of the wired broadband segment due to the rise of FWA, Atria's net subscriber addition remained at 5% for FY24 and 2% for the first nine months of FY25 as per data reported by Telecom Regulatory Authority of India (TRAI). Atria's market share marginally declined to 5.5% as on December 31, 2024, compared to 5.6% as on March 31, 2024.

According to management, for future growth, the company continues to expand its geographical footprint while focusing on the various markets. The company differentiates itself through higher uptimes, differentiated service levels, and increased value offerings (such as technology upgrades and OTT services) to retain and attract customers.

Stable financial performance

The operating income increased by 1.53%, reaching ₹ 2,308 crore in FY24, up from ₹ 2,273 crore in the previous fiscal year. Despite a healthy addition of subscribers, revenue growth remained subdued due to decline in ARPU, attributed to intense competition from major telcos. Operating profitability decreased to 35.77% in FY24 from 39.77% in FY23, mainly due to higher distribution expenses and technology upgrades aimed at customer retention and acquisition.

For 9MFY25, the company achieved a revenue growth of 6% to ₹ 1,858 crore, primarily aided by increase in tariff plans in select geographies resulting improvement in ARPU and growth in net addition subscriber. The operating profitability continues to remain at 36% for 9MFY25. The entity's ability to maintain the operating profitability will be a key credit monitorable.

Robust capital structure with strong debt coverage ratios

As on March 31, 2024, the company had outstanding debt of ₹ 363 crore (P.Y: ₹ 247 crore), which primarily comprises of long-term loan of ₹ 206.16 crore (57%) and a lease liability of ₹ 157 crore. In FY24, the company incurred capex funded through long-term debt and internal accruals. The planned capex for the next 2 years ending FY27, are expected to be primarily funded through internal accruals. The total debt (TD)/ PBILDT stood at 0.44x in FY24 compared to 0.28x in FY23, while expected to continue below 0.5x for the projected years. The interest coverage continues to remain comfortable at 23x for FY24 (P.Y 26x). The net debt position, inclusive of the license fee liability is anticipated to remain negative, which is considered a credit strength.

Strong management backed by well-established PE Firms

ACT is backed by well-established private equity (PE) firms, including True North (earlier known as India Value Fund) and TA Associates, which together hold 94.71% stake in the company as on March 31, 2024. The PE investors have demonstrated support in the company's business operations through extension of funds and technical expertise. The company's daily operations are managed by a team of qualified and experienced professionals.

Key weaknesses

Prevalent competition in the wired broadband segment

According to the Telecom Regulatory Authority of India (TRAI), the industry is highly fragmented, with 1,192 operators as on December 2024, including numerous regional players. In addition to existing wired broadband providers, ACT faces competition from telecommunications service providers (TSPs) offering similar services at aggressive prices with bundled offerings. Predatory pricing by new entrant or existing service provider in the broadband segment could adversely impact the company's market share and average revenue per user (ARPU) levels.

Capital-intensive operations and technology risk associated with the industry

Fixed broadband providers are investing in technologies that offer faster broadband services. Telecommunications service providers (TSPs) are upgrading copper networks from asymmetric digital subscriber line (ADSL) to very-high-bit-rate digital subscriber line (VDSL), while also investing in fiber optic cable rollouts. Given the continuous investment in research and development and the rapid adoption of new technologies, these advancements may have a short lifecycle. Technological changes such as the introduction of fixed wireless access broadband services and low Earth orbit satellite broadband services, could impact the operations of the wired broadband industry, as observed in the telecom industry.

Rolling out a fixed broadband network requires significant capital investments over time, including the design of a network to establish last-mile connectivity. Consequently, TSPs must incur ongoing operational and capital expenditures, which as clearly articulated by the management, would be largely funded through internal accruals. Therefore, major debt-funded capital expenditure impacting the company's capital structure will be a key rating sensitivity.

Liquidity: Strong

The company has a strong liquidity position marked by free cash and bank balances (majorly parked in fixed deposits [FDs]) of ₹926 crore on a consolidated basis as on December 31, 2024, post dividend payment of ₹265 crore in 9MFY25 (PY: ₹403 crore), and strong cash accruals, against which the company has a total bank debt of ₹150 crore as on December 31, 2024. This provides sufficient headroom for ACT's capex plans. ACT utilises book overdraft against FDs for its working capital requirements while major portion of its capital expenditure is met from internal accruals and cash surplus available in the company.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Services Sector](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Telecommunication	Telecommunication	Telecom - Services	Other Telecom Services

Incorporated on June 16, 2000, by Sunder Raju and K Nagaraju, ACT is engaged in providing wired broadband services and cable television services (through its subsidiaries) in 27 residential cities in India. True North (earlier known as India Value Fund) and TA Associates, which together held 94.71% stake in the company as on March 31, 2024. It is the largest non-TSP ISP in India with a market share of 5.6% as on December 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	2,273.74	2,308.61	1,858.00
PBILDT	893.93	825.84	658.00
PAT	353.05	276.11	NA
Overall gearing (times)	0.24	0.40	NA
Interest coverage (times)	26.69	23.54	NA

A: Audited UA: Unaudited; NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-09-2027	150.93	CARE AA-; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	65.00	CARE AA-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	150.93	CARE AA-; Stable	1)CARE AA-; Stable (05-Apr-24)	1)CARE AA-; Stable (07-Apr-23)	-	1)CARE AA-; Stable (25-Mar-22)
2	Non-fund-based - LT-Bank Guarantee	LT	65.00	CARE AA-; Stable	1)CARE AA-; Stable (05-Apr-24)	1)CARE AA-; Stable (07-Apr-23)	-	1)CARE AA-; Stable (25-Mar-22)

LT: Long term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	ACT Digital Home Entertainment Pvt Ltd	Full	Subsidiary
2	A.C.N Cable Pvt Ltd	Full	Subsidiary
3	Kable First India Pvt Ltd	Full	Subsidiary
4	Atria Broadband Services Pvt Ltd	Full	Subsidiary
5	Mandapeta Digital Entertainment Pvt Ltd	Full	Subsidiary
6	Sri Venkateshwara Digital Home Entertainment Pvt Ltd	Full	Subsidiary
7	SR Cable TV Pvt Ltd	Full	Subsidiary
8	IB Communications Network Pvt Ltd	Full	Subsidiary

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

Contact us

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About us:

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