

JULY 05, 2016

CARE ASSIGNS 'CARE BBB- /CARE A3' RATINGS TO THE BANK FACILITIES OF ORTEL COMMUNICATIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	56.46	CARE BBB- (Triple B Minus)	Assigned
Short term Bank Facilities	20.00	CARE A3 (A Three)	Assigned
Total Facilities	76.46 (Rupees seventy six crore and forty six lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Ortel Communications Limited (OCL) takes into account established & experienced promoters, well-developed network infrastructure for cable and broadband services, strong presence in Odisha albeit geographical concentration risk and improving financial performance during FY14 (refers to the period from April 1 to March 31) to FY16.

The ratings, however, are constrained by moderate capital structure with tight liquidity position, risks associated with the large debt funded expansion plan, capital intensive nature of business, susceptible to competition from large players and technological disruption risk.

Ability of the company to retain the existing subscribers, increase the average revenue per user (ARPU) and improve the capital structure would be the key rating sensitivities.

Background

Ortel Communication Ltd (OCL) was incorporated on June 2, 1995 by the Bhubaneswar-based Mr. Baijayant Panda & family. OCL is a regional cable and broadband service provider, with a subscriber base of 0.7 million as on March 31, 2016 (92% of subscribers is under its own network). The company's business is focused in the state of Odisha, accounting for 76% of its total subscriber base. The company also operates in the state of Chhattisgarh, Andhra Pradesh, Telengana, Madhya Pradesh and West Bengal.

During FY16, OCL reported a PAT of Rs.11.93 crore (Rs.5.6 crore in FY15) on total operating income of Rs.189.23 crore (Rs.159.34 crore in FY15).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

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