

July 24, 2017

HCIL Comtel Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based Cash Credit	5.0 (earlier Rs. 8.0 crore)	[ICRA]A1 (SO); Reaffirmed
Non fund Based Limits	77.5 [#] (earlier Rs. 21.0 crore)	[ICRA]A1 (SO); Reaffirmed
Unallocated Limits	17.5 (earlier Rs. 22.0 crore)	[ICRA]A2; Reaffirmed
Total	100.0	

[#] Rs. 26.0 crore interchangeable with FB limits

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the rating for Rs. 82.5-crore¹ fund-based limits and non-fund based limits of HCIL Comtel Limited (Comtel) at [ICRA]A1(SO) {pronounced ICRA A one(Structured Obligation)}. The letters SO in parenthesis suffixed to a rating symbol stand for 'Structured Obligation'. An SO rating is specific to the rated issue, its terms and structure. The 'SO ratings' do not represent ICRA's opinion on the general credit quality of the issuer concerned. ICRA has also reaffirmed the short-term rating of [ICRA]A2 (pronounced ICRA A two) to the Rs. 17.5-crore unallocated limits of the company.

Rationale

The [ICRA]A1(SO) rating is credit enhanced by the corporate guarantee and letter of credit extended by its parent Hughes Communications India Limited (HCIL) for the bank facilities of Comtel. The rating addresses the servicing of the loan to happen as per the terms of the underlying loan and guarantee arrangement. ICRA's rating also assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case of a default in payment by the borrower. The rated instrument does not involve a structured payment mechanism.

The standalone [ICRA]A2 rating continues to draw comfort from the parent's established position in the domestic very small aperture terminal (VSAT) market and its proven track record of client servicing. The rating also takes into account Comtel's low gearing levels, which will allow it to maintain adequate debt protection indicators and a favourable demand outlook. However, the rating remains constrained by the company's high receivable levels. ICRA also notes the competitive pressures from alternate technologies.

¹ 100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

- Established presence in the domestic VSAT market
- Support from Hughes Network Systems LLC, USA in the form of favourable credit period
- Comfortable capital structure and adequate debt coverage indicators
- Established track record of successfully implementing large-scale projects

Credit weaknesses

- High working capital intensity of operations due to high receivable levels
- Intense competition owing to the presence of established players like Bharti Airtel, Tatanet, HCL Comnet, BSNL, etc; although Hughes continues to be the market leader in terms of subscriber base
- Technology obsolescence risks

Description of key rating drivers

HCIL Comtel is a wholly-owned subsidiary of Hughes Communications India Limited. The Hughes Group is one of the leading players in providing connectivity through VSAT technology and had a market share of 36% as of March 31, 2017. Its customers are spread across industries like heavy and light manufacturing, banking, hospitality services, office automation etc.

In FY2017, the company's OI displayed a healthy growth due to the addition of new orders and transfer of business from HNSI. The profitability also improved as the company has been focusing on profitable orders. The debt on the company's books is in the form of unsecured loan from HNSI and finance lease obligations for equipments obtained on lease. Overall, the company's capital structure remains comfortable with gearing of 0.52 times and healthy coverage indicators – interest coverage of 12.1 times, Debt/OPBDITA of 1.1 times and NCA/Debt of 67% as of March 31, 2017 (provisional). The working capital intensity of the business remains low as the high receivables are largely matched by high payables to the parent entity.

Going forward, the company's ability to improve its turnover along with its profitability and keep a check on the receivable levels will remain the key rating sensitivities.

Analytical approach: For arriving at the ratings, ICRA has taken into account inter alia, the explicit support and the letter of comfort provided by HCIL to HCIL Comtel Limited.

Links to applicable criteria

[Corporate Credit Rating Methodology](#)

About the company

HCIL Comtel, incorporated in September 2007, is a wholly-owned subsidiary of HCIL. It primarily deals in trading of VSAT equipments and also provides maintenance and network solution services.

Key Financial Indicators

Particulars (Rs. Crore)	FY2015	FY2016	FY2017*
Operating Income (OI)	85.4	90.7	128.4
PAT	3.0	1.4	7.1
OPBDITA/OI (%)	12.8%	9.9%	14.2%
RoCE (%)	21.0%	11.9%	27.5%
Total Debt/TNW (times)	0.84	0.69	0.52
Total Debt/OPBDITA (times)	1.45	1.55	1.07
Interest Coverage (times)	5.59	5.25	12.13
NWC/OI (%)	1%	4%	12%

* - Provisional Financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015	
				July 2017	July 2016	July 2015	Oct 2014	
1	Fund-based Limits	Short Term	5.0	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	
2	Non-fund Based Limits	Short Term	77.5*	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	
3	Unallocated Limits	Short Term	17.5	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	

* Rs. 26.0 crore interchangeable with FB limits

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Fund-based Limits	-	-	-	5.0	[ICRA]A1(SO)
Non-fund Based Limits	-	-	-	77.5	[ICRA]A1(SO)
Unallocated Limits	-	-	-	17.5	[ICRA]A2

Source: HCIL Comtel Limited

Contact Details

Analyst Contacts

Sabyasachi Majumdar

+0124-4545 304

sabyasachi@icraindia.com

Ankit Jain

+91-124-4545865

ankit.jain@icraindia.com

Harsh Jagnani

+91-124-4545394

harshj@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500