



## Ortel Communications Limited

Instrument	Amount Rated	Rating Action
Term Loan	Rs. 26.66 crore	[ICRA]C assigned
Fund Based Limits	Rs. 10.00 crore	[ICRA]C assigned
Unallocated Limits	Rs. 103.34 crore	[ICRA]C assigned

ICRA has assigned a long term rating of [ICRA]C (pronounced ICRA C) to the Rs. 26.66 crore\* term loans, Rs. 10.00 crore long term fund based bank limits and Rs. 103.34 crore unallocated limits of Ortel Communications Limited (Ortel)<sup>†</sup>.

The rating primarily takes into account the weak financial profile of Ortel, which is characterized by loss making operations, highly aggressive gearing levels and depressed coverage indicators. The debt servicing track record of the company has also been unsatisfactory in the past, although ICRA notes that post debt restructuring, Ortel has been meeting its interest obligations on the rated instruments in a timely manner. However, delays in servicing debt taken from other lenders continue to exist at present. Ortel's business, which focuses on the distribution of cable television services, is highly capital intensive, and requires high amounts of funding. The company's rapid growth over the past five years has been mostly inorganic in nature, with debt-funded acquisition of smaller multi-system operators (MSOs) and local cable operators (LCOs) leading to high capital charges for the company. Since additional debt funding of future acquisitions is likely to place further pressure on liquidity, Ortel plans on raising funds through the sale of equity, but the timeliness of the same remains uncertain at present. Moreover, the intense competition present in the industry is likely to keep profit margins under check. The rating, however, favourably factors in the established market presence of Ortel as one of the largest MSOs in Odisha, with an increasing presence in other states as well. The company's promoters also have experience of over two decades in the industry. The company has a well developed network infrastructure for cable and broadband services, with legal 'rights of way' for laying cable granted in the areas in which it operates, which enables it to focus on the last mile connection and gain direct access to cable television subscribers, thereby ensuring capture of the entire subscription revenues paid by the subscribers. This infrastructure is also expected to result in lower costs for transitioning of the cable TV systems from analog to digital, as per the enactment of the regulatory framework for digitisation of cable TV systems in India with a sunset date of December 31, 2014. In ICRA's opinion, the ability of the company to generate profits, service its debt obligations in a timely manner, and improve its capital structure would remain key rating sensitivities going forward.

### Company Profile

Ortel Communication Limited (Ortel) was incorporated on June 2, 1995 by the Panda family (promoters of the Indian Metals and Ferro Alloys Ltd.<sup>‡</sup> Group). The company is a regional multi-system operator (MSO), engaged in the distribution of analog and digital cable television services, high speed broadband services and voice over internet protocol (VoIP) services, with services being provided under the brand names "Ortel Home Cable", "Ortel Digital" and "Ortel Broadband". At present, the company is providing only cable and broadband services, as government regulations currently prohibit commercial voice services. Cable services are the main drivers of revenue, followed by broadband services and other ancillary revenues, such as carriage fees, uplinking charges etc. Its business is focused in the state of Odisha, with presence in Chhattisgarh, Andhra Pradesh and West Bengal as well.

\* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

‡ Credit Perspective on IMFA available at ICRA's website [www.icra.in](http://www.icra.in). IMFA has outstanding ratings of [ICRA]A/Negative and [ICRA]A1, assigned by ICRA.



### **Recent Results**

During 2012-13 (provisional), Ortel recorded a net loss of Rs. 24.72 crore on the back of an operating income of Rs. 121.38 crore. In 2011-12, the company posted an operating income and net loss of Rs. 120.47 crore and Rs. 19.29 crore respectively.

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