

April 30, 2024

HCIL Comtel Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term/Short Term – Fund-Based Limits	24.00	24.00	[ICRA]A- (Stable)/[ICRA]A1; Reaffirmed
Long Term/Short Term – Non-Fund-Based Limits	190.00	190.00	[ICRA]A- (Stable)/[ICRA]A1; Reaffirmed
Long Term/Short Term – Unallocated Limits	3.00	3.00	[ICRA]A- (Stable)/[ICRA]A1; Reaffirmed
Total	217.00	217.00	

*Instrument details are provided in Annexure-I

Rationale

While assigning the ratings, ICRA has taken a consolidated view of the financial and operational profile of Hughes Communications India Private Limited (HCIPL)¹ and its wholly-owned subsidiaries—HCIL Comtel Private Limited (Comtel; rated [ICRA]A- (Stable)/[ICRA]A1) and Hughes Global Education India Private Limited (HGEIL). These entities are together referred to as the Group/Hughes.

The ratings factor in Hughes's market leadership in the very small aperture terminal (VSAT) market as a market leader in the segment coupled, with its healthy order book position and zero-debt status as on date (excluding lease liability as per Ind AS and indemnified AGR liability by the parent). Moreover, the company intends to launch LEO satellite services in India with Eutelsat OneWeb, subject to the acquisition of operational licenses.

The ratings continue to factor in operational synergies derived from its parentage, Hughes Satellite Systems Corporation, a dominant player in VSAT-based communication services in developed markets with its own satellites, technology development and solutions to corporate as well as retail consumers. Moreover, the ratings continue to draw comfort from the Group's long track record of operations, strong market position in the VSAT industry, diversified revenue streams, wide customer base and its established relationship with a reputed clientele. Further, the Group's products find applications in a wide range of industries such as banking, telecom, oil marketing, education, retail-facing entities and others. This is reflected in Hughes' healthy order book position, indicating adequate revenue visibility going forward.

The company witnessed a few challenges following the merger of operations with the VSAT division of Bharti Airtel Limited. The operations took some time to stabilise, resulting in a delay in revenue recognition and collection of receivables. Further, revenue and profitability were impacted by the non-renewal of a few large contracts. This, coupled with the steady phase-out of revenues from the education segment, resulted in lower revenue and profit generation in FY2024. ICRA also takes note of the margin pressure, resulting from the reduction in rental assets. However, to mitigate the same, the company is focusing on increasing business from more profitable segments such as SD-WAN. The delay in the materialisation of some large contracts has also resulted in a dip in revenues and margins.

The ratings continue to remain constrained by the high working capital intensity of operations due to the elevated receivable levels. However, it is partly offset by the strong profile of the counterparties and the credit period extended by the parent on hardware purchases. Further, the ratings are constrained by the asset-intensive nature of certain contracts, which require sizeable upfront capex for revenue generation over the years. The project-driven nature of hardware/system integration business results in inherent lumpiness in revenue generation. Since the business is technology-driven and regulated, any changes in technology or regulatory environment can have a material impact on the company's operations.

The Stable outlook on the long-term rating reflects ICRA's opinion that HCIPL will continue to benefit from its established position in the domestic VSAT industry and its zero external debt position, resulting in healthy cash flow generation and a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Diversified revenue stream and strong client profile – The Group’s revenue streams are diversified as it provides bandwidth, installation, maintenance and rental services. Moreover, these services are offered to a large bouquet of clients, including major banks along with public sector undertaking (PSU) entities within the oil & gas sector among others. Moreover, the Group will get access to new clients owing to the merger of the VSAT business of Airtel with Hughes, which will further diversify its client base.

Healthy order book position – Hughes’ order book position remains healthy for HCIPL and Comtel. The order book includes orders from the banking sector, oil marketing PSUs, telecom operators, among others.

Extensive experience of promoters in VSAT industry – Hughes India Group is a part of Echostar, which is a US-based provider of satellite communications. Echostar owns a fleet of communication satellites and has extensive experience in the business. The Indian operations started in 1992 with the incorporation of HCIPL, with over 25 years of operations in the VSAT industry. This has enabled the Group to establish strong relationships with reputed customers, including nationalised banks, Government agencies and reputed private entities.

Comfortable debt metrics and liquidity profile – As the adjusted gross revenue (AGR) liability has been indemnified by the parent entity, the Group has no external debt on its books, which translates into healthy capitalisation and coverage metrics. Further, the liquidity remains strong with healthy cash balances and unutilised fund-based limits on a consolidated basis.

Credit challenges

Working capital intensity of business remains high – The overall working capital intensity is expected to remain high with elevated receivable levels and increased current assets owing to the sizeable amount of tax recoverable. However, high receivable levels are to some extent mitigated by the increased payable period that the Group enjoys, especially on hardware purchases from its parent entity.

Capex-intensive contracts may lead to cash flow mismatches – The rental model-based projects require upfront capex from the Group. All the rental orders, such as the one for the oil marketing companies, require the Group to purchase the equipment upfront, install at the sites and then recover the cash flows over the project’s tenure. A high degree of upfront capex can lead to cash flow mismatches. Moreover, the project-driven business can lead to lumpiness in revenue generation.

Technology and regulatory risk – The VSAT business is technology-driven and highly regulated. HCIPL has a license from the Department of Telecommunications (DoT) to provide bandwidth services. However, it has to purchase capacities from NSIL for satellite communications. Thus, the business is dependent on the regulations of DoT and ISRO. Any material change in technology or regulatory environment can impact the business. However, the Group has entered into an agreement with OneWeb to provide efficient and economical services using low-earth orbit satellites.

Liquidity position: Strong

The Group’s liquidity position is strong owing to healthy cash flow from operations, supported by free cash and bank balance of Rs. 46.4 crore as on September 2023. Moreover, a sizeable cushion in working capital limits of Rs. 54 crore as on December 31, 2023, as the limit utilisation remains nil also provides comfort. Further, the entity has healthy cash accruals, which are likely to be sufficient to meet the capex and working capital requirements.

Rating sensitivities

Positive factors – The ratings maybe upgraded if the group demonstrates a sustained improvement in operating income while maintaining its profitability.

Negative factors – A significant deterioration in the operating income and profitability on a sustained basis may result in a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken consolidated view of Hughes Communications India Private Limited and its subsidiaries, including HCIL Comtel Private Limited on account of common management, and strong business and financial linkages among these entities. As on March 31, 2023, HCIPL had 2 subsidiaries which are mentioned in Annexure-2.

About the company

HCIL Comtel Private Limited (Comtel - formerly HCIL Comtel Limited) was incorporated in 2007 and is a 100% subsidiary of Hughes Communications India Private Limited (HCIPL). Comtel provides VSAT-based hardware along with maintenance and rental services. Revenues from projects undertaken by the Group, are increasingly split between HCIPL and Comtel, with bandwidth-related revenues flow to HCIPL and the balance, which includes hardware, rentals and maintenance flow into Comtel.

Key financial indicators (audited)

HCIPL Consolidated	FY2022	FY2023
Operating income	359.1	446.2
PAT	-22.1	-15.0
OPBDIT/OI	18.5%	18.3%
PAT/OI	-6.2%	-3.4%
Total outside liabilities/Tangible net worth (times)	1.2	1.0
Total debt/OPBDIT (times)	7.9	5.5
Interest coverage (times)	1.2	1.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 30, 2024	-	Mar 13, 2023	Feb 24, 2022
1 Fund-Based Limits	Long term and short term	24.00	-	[ICRA]A-(Stable)/[ICRA]A1	-	[ICRA]A-(Stable)/[ICRA]A1	[ICRA]A-(Stable)/[ICRA]A1
2 Non-Fund-Based Limits	Long term and short term	190.00	-	[ICRA]A-(Stable)/[ICRA]A1	-	[ICRA]A-(Stable)/[ICRA]A1	[ICRA]A-(Stable)/[ICRA]A1
3 Unallocated Limits	Long term and short term	3.00	-	[ICRA]A-(Stable)/[ICRA]A1	-	[ICRA]A-(Stable)/[ICRA]A1	[ICRA]A-(Stable)/[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term/Short Term – Fund-Based Limits	Simple
Long Term/Short Term – Non-Fund-Based Limits	Simple
Long Term/Short Term – Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-Based Limits	NA	NA	NA	24.00	[ICRA]A- (Stable)/[ICRA]A1
NA	Non-Fund-Based Limits	NA	NA	NA	190.00	[ICRA]A- (Stable)/[ICRA]A1
NA	Unallocated Limits	NA	NA	NA	3.00	[ICRA]A- (Stable)/[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	HCIPL Ownership	Consolidation Approach
Hughes Communications India Private Limited	100.00%	Full Consolidation
HCIL Comtel Private Limited	100.00%	Full Consolidation
Hughes Global Education India Private Limited	100.00%	Full Consolidation

Source: HCIPL annual report FY2023

Note: ICRA has taken a consolidated view of the parent HCIPL and its subsidiaries

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