ONEOTT Intertainment Limited (OIL)

March 10, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	30.00	IVR A+/ Stable (IVR A Plus with Stable Outlook)	IVR A+/ Stable (IVR A Plus with Stable Outlook)	Rating reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	20.00	IVR A+/ Stable (IVR A Plus with Stable Outlook)	IVR A+/ Stable (IVR A Plus with Stable Outlook)	Rating reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	0.00	--	IVR A1+ (IVR A One Plus)	Withdrawn*	Simple
Short Term Bank Facilities – Capex LC	0.00	--	IVR A1+ (IVR A One Plus)	Withdrawn*	Simple
Short Term Bank Facilities – LER	0.00	--	IVR A1+ (IVR A One Plus)	Withdrawn*	Simple
Total	**50.00 (Rupees Fifty crore only)**				

***Infomerics has withdrawn the ratings of Axis Bank's facility on the basis of request by the company, and no dues certificate by the banker. The rating is withdrawn in line with Infomerics policy of Withdrawal of rating.**

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

For arriving at the rating, Infomerics has considered the support received by OIL from its parent HGSL by way of holding of 71.65% shareholding in the company.

The reaffirmation of the ratings assigned to the bank loan facilities of OIL derive strength from strategic, legal and operating linkages with its parent company Hinduja Global Solution Limited (HGSL), sustained operating performance and moderate debt protection metrics. The company has been undertaking continuous capex (including leased assets) in the range of Rs. 100-130 crores which is likely to drive future growth and profits. In the near to medium term this is likely to exert pressure on profitability owing to higher depreciation and interest cost though net cash accruals and support from parent will support the debt protection metrics. The ratings however constrained by risk associated with working capital-intensive nature of business operations, highly competitive industry and capital intensive nature of operations..

The outlook is expected to remain stable through extensive support of promoters and strong support from HGSL along with expected improvement in revenue and EBITDA margins through expected increase in subscriber base.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters.
- Improvement in capital structure and improvement in debt protection metrics.
- Improvement in working capital cycle leading to improvement in cash flow from operations.

Downward Factors

- Any decline in scale of operations and/or profitability and/or any deterioration in working capital cycle leading to sustained deterioration of liquidity and/or debt protection parameters.
- Any un-envisaged incremental debt funded capital expenditure leading to a deterioration in its overall credit profile.
- Any weakening of linkages with HGSL.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong linkages with the parent company

Post scheme of arrangement on November 11, 2022, OIL became a subsidiary of HGSL which holds 71.65% in the OIL. HGSL will continue to hold at least 51% of the shareholding in OIL till the bank facilities of OIL gets repaid in full. Also, OIL acts as forward integration for HGSL where OIL provides internet services to HGSL cable customers. As on January 2025, OIL provides such services to 20% of the HGSL Mumbai customers. Also, there are common directors between the two companies. The parent has infused Rs. 91.33 crore and Rs. 41.58 crore in FY2023 and FY2024 and is expected to further support the company going forward. The total financial support from group companies stood at Rs. 261.38 crore as on 31st March 2024.

Marginal deterioration in capital structure, however the company is having comfortable debt protection metrics

Though OIL's overall gearing and TOL/TONW has increased to 2.62x and 4.06x respectively in FY24 from 1.44x and 2.80x respectively in FY23 due to increase in lease liabilities to Rs. 134.60 crore in FY24 from Rs. 70.70 crore in FY23, OIL's capital structure continued to remain comfortable with OIL's interest coverage at 2.27x in FY24.

Benefits of Capex plan

OIL is incurring capex of Rs. 100-125 crores per annum including Leased assets over the next three years. The same is done towards installing of telecommunication infrastructure for increasing the subscriber base. This capex will be funded through unsecured loans from promoter entity in addition to internal accruals.

Key Rating Weaknesses

Moderate scale of operations

OIL's total operating income has declined by 26.31% to Rs. 238.08 crore in FY24 from Rs. 323.09 crore in FY23 as subscribers with lower margin was pruned up in FY24 resulting in a negative growth of around Rs 25.00 crore in FY24 over FY23 apart from one time trading activity done in FY2023. Further, OIL has achieved revenue of Rs. 189.04 crore in 9MFY25 and is expected to achieve revenue of Rs. 291.59 crore through expected increase in subscriber base.

OIL's EBITDA margin has improved to 37.51% in FY24 from 28.17% in FY23 due to significant decline in raw materials consumption costs (lower trading revenues) and decline in other operating expenses as OPEX (laying of fibre optic cables and other related expenses) was majorly done in FY22. However, PAT margin has declined to -5.76% in FY24 from 1.61% in FY23 due to increase in interest expenses, depreciation in FY24 and lower overall EBIDTA. The interest expense has increased on account of higher interest for Leases. However net cash accruals remained positive at Rs. 75 crore and are expected to remain at similar levels in FY2025.

Highly competitive industry

The industry is highly fragmented, with the presence of several regional players. Apart from existing wired broadband providers, OIL continues to face competition from TSPs providing similar services at aggressive prices with bundled offerings. Furthermore, predatory pricing by any new entrant or existing service provider in the broadband segment may adversely impact the company's market share and ARPU levels.

Capital intensive nature of operations

Rolling out a fixed broadband network requires significant capital investments over time. This involves designing a network wherein last mile connectivity is to be established. Fixed broadband providers are investing in technologies that offer faster broadband services. As a result, the service provider has to incur ongoing operational/ capital expenditure, which, as clearly articulated by the management, would be majorly funded through internal accruals.

Analytical Approach: Standalone rating factoring in the parent linkages

For arriving at the rating, Infomerics has considered the support received by OIL from its parent HGSL by way of holding of 71.65% shareholding in the company. The rating is done based on strong business, strategic and legal linkages with its parent company i.e. HGSL.

Applicable Criteria:

[Rating Methodology for Service Sector Companies]

[Parent & Group Support]

[Financial Ratios & Interpretation (Non- Financial Sector)]

[Criteria on assigning rating outlook]
[Criteria on Default Recognition and Post-Default Curing Period]
[Policy on withdrawal of ratings]
[Complexity Level of Rated Instruments/Facilities]

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match adequately with debt repayment obligations. The free cash balance as on March 31, 2024, stood at Rs. 10.57 crore. The average working capital utilization for 12 months ending November 2024 has been 86.12%. The current ratio and quick ratio stood at 1.18x and 1.18x respectively in FY24.

About the Company

Incorporated in 2000, OIL provides broadband/internet services to retail customers, enterprise customers and Optical Fiber leasing services to network operators. OIL has a strong presence in Broadband and Internet services in 40+ cities. The company is a part of the “Hinduja Group”. In August 2019, NDL had acquired 71.65% stake in OIL. However, later On November 11, 2022 Hinduja Global Solutions Limited received NCLT approval to acquire the Media and Communications Undertaking including investment in subsidiaries of NXT Digital Limited. Pursuant to the Scheme of Arrangement between NDL and HGSL, with effect from the Appointed Date (i.e. 01 February, 2022), HGSL is the Holding Company of ONEOTT Intertainment Limited. HGSL holds 71.65% shares of OIL.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	323.09	238.08
EBITDA	91.00	89.31
PAT	5.68	-15.14
Total Debt	103.47	175.72
Adjusted Tangible Net Worth	71.84	67.10
EBITDA Margin (%)	28.17	37.51
PAT Margin (%)	1.61	-5.76
Overall Gearing Ratio (x)	1.44	2.62

Press Release

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Interest Coverage (x)	3.02	2.27

Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (December 27, 2023)	Date(s) & Rating(s) assigned in 2022-23 (November 28, 2022)	Date(s) & Rating(s) assigned in in 2021-22 (August 30, 2021)
1.	Term Loan	Long Term	30.00*	IVR A+/ Stable	IVR A+/ Stable	IVR A+/ RWDI	IVR A+/ Stable
2.	Cash Credit	Long Term	20.00^	IVR A+/ Stable	IVR A+/ Stable	IVR A+/ RWDI	IVR A+/ Stable
3.	Cash Credit	Long Term	0.00	Withdrawn	IVR A+/ Stable	IVR A+/ RWDI	IVR A+/ Stable
4.	Capex LC	Short Term	0.00	Withdrawn	IVR A1+	IVR A1+/ RWDI	IVR A1+
5.	LER	Short Term	0.00	Withdrawn	IVR A1+	IVR A1+/ RWDI	IVR A1+

*Sub-limit of Capex Letter of Credit: Rs. 30.00 crore and Financial Bank Guarantee/ SBLC for availing Buyers Credit: Rs. 30.00 crore.

^Sub-limit of Performance Bank Guarantee: Rs. 5.00 crore, Working Capital Demand Loan: Rs. 20.00 crore, Letters of Credit: Rs. 20.00 crore, Letters of Credit: Rs. 20.00 crore, Financial Bank Guarantee: Rs. 5.00 crore, Purchase Invoice Financing: Rs. 20.00 crore.

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	2027	30.00*	IVR A+/ Stable
Cash Credit	--	--	--	20.00^	IVR A+/ Stable

*Sub-limit of Capex Letter of Credit: Rs. 30.00 crore and Financial Bank Guarantee/ SBLC for availing Buyers Credit: Rs. 30.00 crore.

^Sub-limit of Performance Bank Guarantee: Rs. 5.00 crore, Working Capital Demand Loan: Rs. 20.00 crore, Letters of Credit: Rs. 20.00 crore, Letters of Credit: Rs. 20.00 crore, Financial Bank Guarantee: Rs. 5.00 crore, Purchase Invoice Financing: Rs. 20.00 crore.

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-oneott-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.