Tata Teleservices (Maharashtra) Limited(Revised)

May 04, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	20.00	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities	2,050.00 (Enhanced from 1,237.50)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	173.51 (Reduced from 960.00)	CARE AA-; Stable / CARE A1+ (Double A Minus ; Outlook: Stable/ A One Plus)	Revised from CARE A+; Stable / CARE A1+ (Single A Plus ; Outlook: Stable / A One Plus)
Short Term Bank Facilities	207.99 (Reduced from 254.00)	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	**2,451.50 (Rs. Two Thousand Four Hundred Fifty-One Crore and Fifty Lakhs Only)**		
Non Convertible Debentures	500.00	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Assigned
Total Long Term Instruments	**500.00 (Rs. Five Hundred Crore Only)**		
Commercial Paper	7,500.00	CARE A1+ (A One Plus)	Reaffirmed
Total Short Term Instruments	**7,500.00 (Rs. Seven Thousand Five Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision/reaffirmation in the ratings assigned to the long-term and short-term bank facilities/instruments of Tata Teleservices (Maharashtra) Limited (TTML) takes into consideration the continuing support from Tata Sons Pvt Ltd. (Tata Sons, the promoter) in line with CARE's expectation. This has been abundantly demonstrated over a period of time. The articulation is also formalized by way of a support letter issued every quarter by Tata Sons, indicating that Tata Sons will take all necessary actions to organize for any shortfall in liquidity for ensuing 12 months. CARE also notes the improvement in operating performance of the entity in FY21 post demerger of consumer mobile business.

Till June 2019, Tata Sons has infused about Rs. 46,595.05 crore in TTML and its associate Tata Teleservices Limited (TTSL, rated CARE AA-, Stable/CARE A1+). The entities continue to be integral to Tata Group as demonstrated by consistent support from Tata Sons. The financial flexibility enjoyed by TTML continues to be highly favorable despite no further fresh infusion of funds post June 2019.

On September 1, 2020, Honorable Supreme Court (SC) directed the telecom operators to pay 10% of the total outstanding amount claimed by Department of Telecommunication (DoT), on or before March 31, 2021 and the balance in instalments commencing April 1, 2021 up to March 31, 2031 (10 instalments) payable by 31st March of every year. Combined AGR dues required to be paid for both TTSL and TTML amounts to ~ Rs 16,800 crore (no breakup by DOT as per SC order). Against this, both TTSL and TTML made payments of Rs. 4197 crores (Rs 639 crore by TTML and Rs 3558 crore by TTSL- of which basis self-assessment: Rs 2197 crore and ad hoc amount: Rs 2000 crore) and created a provision of Rs 17,977 crore (Rs 3251 crore by TTML and Rs 14,727 crore by TTSL) towards AGR dues till December 31, 2020.

Subsequent to the verdict by Honorable SC, TTSL and TTML (Tata Tele) have made a joint application on January 10, 2021 requesting SC to allow both TTSL and TTML to seek clarification of computational errors and erroneous disallowances in the amounts claimed by DOT. As on April 29, 2021, the matter is still subjudice. Similar petitions have been filed by other telecom companies also. Considering that provision for entire liability has already been made in the books of accounts for both TTSL and TTML, any reduction in the AGR dues as approved by SC would be an upside for the Companies. Any development thereon would be monitored closely.

Post-de merger, Tata Tele continues to provide services for its enterprise customers with fiber optic network running across 132,000 km, operations in over 60 cities and 1800+ partners. The current bouquet of services ranges from connectivity, collaboration, cloud, security, Internet over Things (IoT) and marketing solutions along with portfolio of Information & Communication Technology (ICT) services.

The rating strengths are, however, tempered by continued losses at after tax level, majorly due to provisioning towards AGR dues, highly leveraged position, regulatory uncertainties and weak debt protection metrics. Continued and demonstrated support from its promoter, Tata Sons is a significant credit risk mitigant.

Going forward ability of the company to improve its market share as well as profitability of its enterprises business in the wake of intense competition while garnering continued support from Tata Sons will remain the key rating monitorable.

Rating Sensitivities

Positive Factors

- Significant turnaround in operational and financial performance of TTML with improvement in profitability
- Debt to EBIDTA at a sustained level of 3.5 times

Negative Factors

- Any change in stance of Tata Sons Private Limited resulting in lack of financial support to TTML
- Any substantial deterioration in the credit profile of Tata Sons Private Limited

Detailed description of the key rating drivers

Key Rating Strengths

Entity integral to Tata Group as demonstrated by continued support from Tata Sons: TTML along with TTSL (together referred as Tata Tele) marked foray of the Tata group into the telecom sector. TTML and TTSL both have been continuously receiving financial and managerial support from its parent i.e Tata Sons. Tata Sons has infused about Rs. 46,595.05 crore from January 01, 2014 to June 30, 2019 into the business to fund the losses, debt repayments as well as for capital expenditure. The ratings of TTML centrally derive comfort from the support of Tata Sons Private Limited. In line with CARE’s expectation, the entity continues to be supported by the promoters to arrange for meeting any shortfall in liquidity. In spite of availability of support, the entity has been meeting its liquidity requirement on its own without further fresh infusion of funds from promoters since June 2019 by mobilizing resources at competitive interest rates.

Key Rating Weaknesses

Improvement in operating performance albeit PAT losses: Based on the abridged audited financials of the entity for FY21, the revenue from operations has declined marginally by ~3% over FY20. The revenue for FY21 is not directly comparable with previous year as revenue for FY20 included income from Consumer Mobile Business (CMB) segment till Q1 FY20. Further due to relatively lower usage of voice & data and lesser new connections owing to Covid-19 induced lockdown, revenue from enterprise business during Q1 FY21 was impacted. With relaxation of lockdown post June 2020, the demand for the Companies products and services saw an uptick resulting in revenue generation at marginal reduction in FY21 despite the impact of Covid-19. Due to hiving off of CMB business completely in FY21, the PBILDT margins during FY21 has improved from ~39% in FY20 to ~47% in FY21 with an increase in PBILDT by ~16% during the year. Despite improvement in operational performance, the entity continues to report PAT losses due to high finance cost and provision towards AGR liability. Additional provision for AGR (Adjusted Gross Revenue) dues and other exceptional items during the year FY21 amounted to ~Rs 780 crore. Ability of the Company to improve profitability margins at sustained level in future would be monitored closely.

High leverage position: TTML's capital structure continue to remain highly leveraged with gross bank debt for both the entities (TTSL and TTML) standing at ~Rs10,800 crore as on March 31, 2021. Weak capital structure coupled with high losses incurred in the past continues to adversely impact the net worth of the company thereby leading to weak debt coverage indicators and capital structure. Thus, the support from parent, i.e. Tata Sons will remain crucial to meet timely debt servicing, regulatory payouts and operational deficiencies if, any.

Highly competitive industry and regulatory uncertainties: The Indian Telecom sector has been witnessing a lot of volatility for the past few years. The sector has seen intensifying competition which has also resulted in consolidation among the players. The telecom industry in India is also surrounded by regulatory uncertainties and Tata Tele will remain susceptible to adverse regulatory changes. The ability of the company to mitigate these risks will continue to remain as key rating factor.

Post-verdict by SC on the matter of AGR dues, telecom companies are still seeking clarification of computational errors and erroneous disallowances in the amounts claimed by DOT and as on April 30, 2021, the matter is still subjudice. Final outcome in this regard and implications thereon would be monitored.

Liquidity: Adequate

The liquidity profile of the Tata Tele will continue to be supported by Tata Sons. TTML had cash and cash equivalents of ~Rs. 110 crore as on March 31, 2021 (including liquid investments amounting to ~Rs 70 crore). As on March 31, 2021, the Company has working capital limit of Rs 85 crore (including overdraft limit of Rs 50 crore with one-way fungibility from Fund based (FB) to Non-fund based (NFB)), the same is available with it. The NFB utilization, as on March 31, 2021, stood at ~36% of its NFB limits aggregating Rs 464.99 crore. TTML has raised Commercial paper and short/term medium term loan from various lenders at competitive rates for refinancing of existing debt and any shortfall in liquidity. As on March 31, 2021, outstanding CPs amounts to Rs 3,155 crore.

By virtue of being part of the Tata group, TTML enjoys substantial financial flexibility characterized by demonstrated continued support from Tata Sons. The Company obtains a support letter from its Promoter indicating that the Promoter will take necessary actions to organize for any shortfall in liquidity during the period of next 12 months.

Analytical approach:

CARE has adopted standalone approach. However, operational and financial linkages with parent i.e. Tata Sons which are integral to operations of TTML are also considered. The ratings centrally derive comfort from parent support i.e. Tata Sons. Tata Sons has already infused about Rs. 46,595.05 crore from January 01, 2014 to June 30, 2019 in TTML & TTSL and will continue to provide need-based support in the near term as well.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology – Infrastructure Sector
Criteria for Short Term Instruments
Liquidity Analysis of Non-Financial sector entities
Notching by factoring linkages in Ratings

About the Company
Incorporated on March 13, 1995 as Hughes Ispat Ltd., TTML was acquired by the Tata group in December 2002. As on March 31, 2021, the Tata Group holds 74.36% stake in TTML. On July 01, 2019, TTML has already completed the sale of its consumer mobile business to Bharti Airtel. Accordingly, all customers, assets, spectrum and agreed liabilities of TTML have been transferred to Bharti Airtel.
TTML offers wire line data, connectivity, marketing and voice services along with managed services and IoT products under the existing Enterprise Business.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)*
Total operating income	1077.74	1043.66
PBILDT	421.70	488.89
PAT	-3714.11	-1996.69
Overall gearing (times)	NM	NM
Interest coverage (times)	0.27	0.31

A: Audited; NM: Not Meaningful *Note: the financials have been reclassified as per CARE standards*
**based on abridged audited financials provided by the company.*

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE AA-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	207.99	CARE A1+
Fund-based-Long Term	-	-	-	2000.00	CARE AA-; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	173.51	CARE AA-; Stable / CARE A1+
Fund-based - LT-Bank Overdraft	-	-	-	20.00	CARE AA-; Stable
Debentures-Non Convertible Debentures (proposed)	-	-	-	500.00	CARE AA-; Stable
Commercial Paper-Commercial Paper (Standalone)	-	-	7 days to 364 days	7500.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (05-Oct-18)
2.	Fund-based - LT-Cash Credit	LT	50.00	CARE AA-; Stable	-	1)CARE A+; Stable (07-Jul-20)	1)CARE A+; Stable (27-Dec-19) 2)CARE A+; Stable (20-Aug-19) 3)CARE A+; Stable (26-Jun-19)	1)CARE A+ (CWD) (05-Oct-18)
3.	Non-fund-based - ST-Bank Guarantees	ST	207.99	CARE A1+	-	1)CARE A1+ (07-Jul-20)	1)CARE A1+ (27-Dec-19) 2)CARE A1+ (20-Aug-19) 3)CARE A1+ (26-Jun-19)	1)CARE A1+ (CWD) (05-Oct-18)
4.	Fund-based - ST-Term loan	ST	-	-	-	-	-	1)Withdrawn (05-Oct-18)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
5.	Commercial Paper-Commercial Paper (Standalone)	ST	7500.00	CARE A1+	-	1)CARE A1+ (07-Jul-20)	1)CARE A1+ (15-Jan-20) 2)CARE A1+ (27-Dec-19) 3)CARE A1+ (20-Aug-19) 4)CARE A1+ (26-Jun-19) 5)CARE A1+ (CWD) (16-May-19)	1)CARE A1+ (CWD) (20-Mar-19) 2)CARE A1+ (CWD) (12-Dec-18) 3)CARE A1+ (CWD) (05-Oct-18) 4)CARE A1+ (CWD) (26-Jun-18)
6.	Fund-based-Long Term	LT	2000.00	CARE AA-; Stable	-	1)CARE A+; Stable (07-Jul-20)	1)CARE A+; Stable (27-Dec-19) 2)CARE A+; Stable (20-Aug-19) 3)CARE A+; Stable (26-Jun-19)	-
7.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	173.51	CARE AA-; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (07-Jul-20)	1)CARE A+; Stable / CARE A1+ (27-Dec-19) 2)CARE A+; Stable / CARE A1+ (20-Aug-19) 3)CARE A+; Stable / CARE A1+ (26-Jun-19)	-
8.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	-	-	-
9.	Fund-based - LT-Bank Overdraft	LT	20.00	CARE AA-; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
Term Loan	
Non-financial covenants	1) Tata Sons Private Limited along with its affiliates shall hold minimum of 51% unencumbered voting equity stake in the Company throughout the tenor of the facility. 2) Tata Sons Private Limited along with its affiliates shall retain management control of the Company throughout the tenor of the facility.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Standalone)	Simple
2.	Debentures-Non Convertible Debentures	Simple
3.	Fund-based - LT-Cash Credit	Simple
4.	Fund-based-Long Term	Simple
5.	LT/ST Fund-based/Non-fund-based	Simple
6.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact

Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Rajashree Murkute
Group Head Contact no.- +91-22-6837 4474
Group Head Email ID- rajashree.murkute@careratings.com

Relationship Contact

Name: Saikat Roy
Contact no.: +91-22-6754 3429
Email ID: saikat.roy@careratings.com

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