

Ascend Telecom Infrastructure Private Limited

March 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	815.00 (Enhanced from 810.00)	CARE AA-; Stable	Revised from CARE A+; Stable
Short-term bank facilities	10.00 (Reduced from 15.00)	CARE A1+	Reaffirmed
Non-convertible debentures	1,236.00 (Reduced from 1,350.00)	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised the long-term rating for bank facilities while reaffirming the short-term rating and the rating for the non-convertible debentures of Ascend Telecom Infrastructure Private Limited (ATIPL). CARE Ratings has considered consolidated approach for arriving ratings of ATIPL while factoring linkage with its private equity parent, Global Infrastructure Partners India LLP (GIP).

Rating action primarily factors the successful acquisition of Tower Vision India Private Limited (TVIPL) by ATIPL in June 2023 and initiation of amalgamation of TVIPL with ATIPL. The acquisition is funded through mix of debt, equity, and utilisation of the existing liquidity at ATIPL. Post acquisition, ATIPL holds around 93% shareholding in TVIPL and balance around 7% is held by GIP EM Ascend 2 Pte Ltd (one of the holding entities of ATIPL). With 18,000 towers and 30,000 tenants, the consolidation has positioned the entity as the fourth-largest player in the passive infrastructure telecom industry with relatively superior tenancy ratio of 1.66x. Looking ahead, CARE Ratings anticipates that the consolidated entity will capitalize on operational synergies, resulting in enhanced cost efficiency.

CARE Ratings has reaffirmed the long-term rating for the non-convertible debentures (NCDs) as servicing of the NCDs is from the cash flow available post debt servicing of term loans of ATIPL as per the escrow agreement.

Ratings continue to remain underpinned by ATIPL's established track record of operations, consistently improving operational performance, revenue visibility due to long-term master service agreements (MSA) with telecommunication service providers (TSPs) having embedded lock-ins, escalations and early termination penalties, and an improved mix of operator's credit profile. Ratings also derive strength from ATIPL's strong liquidity position, however, the collection period of the company has elongated on account of delays from a key customer.

Ratings continue to factor 100% shareholding of funds managed by Global Infrastructure Partners India LLP (GIP) in ATIPL, thereby strengthening the financial flexibility and stable demand outlook for the industry of 4G and 5G rollouts. The presence of minimum cash balances over and above debt service reserve account covering three months' interest and repayment obligations for bank facilities and NCDs are other credit positives.

Post acquisition, there has been an increase in borrowings in the form of acquisition debt which has relatively moderated the leverage of the consolidated entity. The acquisition debt has been raised from foreign lenders at the holding company (Holdco) level and infused in ATIPL as NCDs, with terms mirroring the foreign debt. As the NCDs have significant bullet repayment at maturity, the company is exposed to the refinancing risk. Thus, any significant dividend payments from cash flows beyond envisaged levels of the combined entity will remain a key monitorable. However, longer useful life of the asset, moderate leverage, healthy tenancy ratio and strong parentage of GIP mitigate the refinancing risk to an extent.

Additionally, the rating strengths are also tempered by the capital-intensive nature of operations, moderately leveraged capital structure and exposure to TSPs with weak financial risk profile elevated by elongated collection period on a consolidated basis, with a significant chunk of the receivables from telecommunication service providers (TSPs) of weaker credit profile as on December 31, 2023.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improving operations and significantly improving leverage while maintaining healthy tenancy ratio.
- Sustained efficiency of 100% in monthly collections of all customers.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Negative factors

- Declining tenancy ratio to below 1.50x on sustained basis
- Significantly deteriorating collection efficiencies resulting in a stretched liquidity profile.
- Non adherence to debt covenants by ATIPL and TVIPL
- Increasing debt (excluding lease liabilities)/PBILDT (including lease as expenses) beyond 3.5 times on sustained basis.
- Weakening in support philosophy of GIP to platform

Analytical approach: Consolidated

CARE Ratings has adopted a consolidated approach for the rating assessment for ATIPL. CARE Ratings takes into account the linkages between ATIPL and its private equity parent (GIP).

The analytical approach has transitioned from combined financials (which include both ATIPL and TVIPL) to consolidated financials (where TVIPL's financials are merged with ATIPL's) following the completion of acquisition by ATIPL. As of June 30, 2023, TVIPL operates as a subsidiary of ATIPL.

Outlook: Stable

The 'Stable' outlook reflects ATIPL is likely to maintain stability in its operating performance with a healthy business risk profile and sustained liquidity.

Detailed description of the key rating drivers:**Key strengths****Improving operating performance through acquisition**

The overall operating metrics of ATIPL are consistently improving over the past years, with sustained growth in the company's tower base and tenancies at a compounded annual growth rate (CAGR) of around 5% since FY20. The successful completion of the 5G spectrum auction in August 2022 has intensified competition among Telecom Service Providers (TSPs) to gain market share through 5G/4G rollouts, thereby increasing coverage and capacity. This trend bodes well for the tower companies (towercos). Additionally, the advent of 5G technology, driven by ever-rising data requirements has opened up new business opportunities for towercos.

As of December 31, 2023, ATIPL's tower base stands at 17,448 (compared to 7,734 in the previous year), with 29,194 tenants (compared to 12,693 tenants in the previous year). This robust growth in the tower portfolio and tenancies has been bolstered by the acquisition of Tower Vision India Private Limited (TVIPL). Notably, ATIPL's tenancy profile is well diversified, with stronger TSPs constituting approximately major portion of total tenancies as of December 31, 2023.

The acquisition has expanded ATIPL's market access to all 22 circles and metros where ATIPL was not present earlier, enhancing its size and providing greater negotiating capacity and rollout efficiencies. ATIPL now boasts a well-diversified geographical presence and tenant profile. Significant green field demand from a single customer has fuelled the growth of the tower base, although the absence of shared colocations has hindered the tenancy ratio.

Revenue visibility due to long-term MSAs although renegotiation risk

Due to the inherent nature of the tower industry, ATIPL and TVIPL have entered into MSAs with all major TSPs for leasing its tower portfolio on a long-term basis. The MSAs have lock-in periods embedded in the contract with escalation clauses for the infrastructure provisioning) (IP) fees, power and fuel) (P&F) recovery and lease rentals, with exit penalties in case of early termination of contracts and upfront deposits to be maintained by the TSPs. Thus, these long-term MSAs provide revenue visibility over the medium term extended by the customer stickiness due to high switching costs. However, towercos also face renegotiation risk at the time of contract renewal, which may impact the revenues and profitability of the towercos. The tenancy profile is well distributed over various lock-in maturity tenures with stronger TSPs having higher proportion in the locked-in tenancies.

Pivotal role of passive infrastructure for TSPs; rising demand for data to support growth

Passive infrastructure providers play a vital role in the smooth operations of the TSPs and their growth is directly linked to the performance and outlook for the telecommunication industry. Over the past few years, major telecom operators have been shifting their tower assets from their business, to reduce capital expenditure (capex) intensity and have been sharing infrastructure to decrease rental costs. Infrastructure sharing provides significant benefits to the TSPs including improvement in coverage and better penetration at lower rental costs, decreases deployment time, increases operations and maintenance (O&M) efficiency, and makes network rollouts faster with ease of migration to the latest technologies. The rising data consumption by consumers

requiring better coverage, combined with the introduction of 5G technology is expected to support the growth in the business.

Comfortable financial risk profile albeit relatively low market share

In FY23, the total operating income (TOI) of ATIPL increased to ₹989 crore by around 9% in line with CARE Ratings' expectations, on the back of a positive demand scenario. With the acquisition of TVIPL, the consolidated revenue stands at ₹1,776 crore of 9MFY24. The revenue is expected to increase further on account of rollouts based on capex plans of the TSPs for 5G/4G services, and for increasing network penetration and coverage to gain subscribers.

Towercos with a relatively large portfolio of towers offer certain advantages to the TSPs, including rapid rollout over a large area and tenancy-driven discounts. Large towercos can access capital markets better to fund growth. These advantages make it somewhat difficult for the smaller towercos to grow along with the limited bargaining power with customers. Despite having a small market share of around 4% post the acquisition (pre-acquisition: 2%), the company has superior operating metrics, making it attractive for the telecom operators. While ATIPL's size is relatively small, it has shown consistent growth in revenue and the market share of the company has increased, though marginally, over the past few years. As per management, the company's core competencies are better service, lower operational costs, minimum network downtimes and fast turnaround time for tower rollouts.

Strong investor profile and a demonstrated track record of operations

ATIPL has maintained a presence in the telecom tower business for more than two decades, demonstrating a proven track record of operational excellence. Following inorganic expansion between 2012 and 2024, the company has consistently expanded its footprint.

In March 2022, New Silk Route (NSR) exited, resulting in 100% ownership of ATIPL by GIP [through entities such as India Infrastructure Fund II (IIF-II), GIP EM Ascend 2 Pte Ltd and GIP EM Ascend Pte Ltd]. GIP is one of the world's largest infrastructure investors with more than USD 100 billion assets under management. The private equity (PE) firm focuses on core infrastructure sub-sectors, including transport, energy and utilities, telecommunications infrastructure and urban infrastructure. The complete ownership structure has provided ATIPL with enhanced financial flexibility in raising funds, streamlined decision-making process, and strategic support from the experienced GIP partners who serve as nominee directors. ATIPL is led by a team of seasoned professionals, and its Chief Executive Officer (CEO), Dr Sushil Kumar Chaturvedi, brings over three decades of the telecom industry experience. Dr Chaturvedi has previously served as a Director of BSNL.

Favourable industry outlook

Post consolidation of the telecom industry in FY16-FY17, the TSPs rationalised their passive infrastructure and in the process, cut down overlapping cell sites, reducing the overall tenancies. There was further decrease in the tenancies due to exit of weak players, which was somewhat offset by the entry of RJio. Currently, only a few big players having a dominant market share remain with smaller players capturing a minuscule share. However, as the telecom industry has stabilised, so has the tower industry. While there is intense competition in the telecom industry, it bodes well for the tower industry, as the TSPs compete to increase their subscriber base, by increasing coverage.

Post announcement of the telecom reforms by the Government of India (GoI) in September 2021, and the liquidity relief for the medium term, the TSPs have increased their capex spending to comply with 4G and 5G rollout obligations and gain subscribers. 5G/4G rollouts have increased the demand for passive infrastructure in FY24. Further network penetration in the hinterlands is expected to continue to boost this demand. The growth is also likely supported by the anticipated 4G rollout by BSNL which was expected to be realized much earlier however, appears to be delayed.

The medium-term liquidity relief through the telecom reforms has resulted in better collection efficiencies by the towercos; however, as the credit profile of a key customer remains constrained, resulting in delays in payments, collection efficiencies from the same will remain a key monitorable. Going forward, prospects of growth for the Indian telecom industry are healthy with the telecom operators upgrading and expanding their network to meet demand for rising data growth with the evolution of new revenue streams. The towercos will look beyond traditional business models and capitalise on opportunities in areas such as high powered small-cells (HPSC), last mile wireless connectivity for internet service providers, WiFi hotspots and fiberisation, among others. Forward looking and enabling policies by the government will be the enablers for the telecom infrastructure in the coming years playing a pivotal role for the telecom industry.

Key weaknesses

Capital intensive nature of operations

The passive infrastructure business is highly capital intensive due to the significant initial setup cost the towercos have to incur to build sites, with a gestation period of about 1-2 months before the revenues from addition of tenancies start to be realized.

Towercos also have to incur routine maintenance, upgradation and replacement costs for its existing tower base. However, these risks are partly mitigated for ATIPL due to deployment of third-party vendors for the maintenance of towers and also as the company does rollouts only on confirmed orders from anchor tenants supported by presence of shared tenant for increased tenancy ratios, which significantly mitigates the revenue risk. ATIPL has been able to reduce its capex costs per tower through design rationalisation providing cost efficiencies. The acquisition of TVIPL has also enabled the company is receiving bulk discounts as procurement of supplies is now being availed for larger orders.

Moderation in leverage

Upon, consolidating the revenues and debt metrics of ATIPL and TVIPL for the period of FY23, the leverage stood moderately high, with a net debt (including lease liabilities)/PBILDT (as per Ind As 116) ratio of 2.44x as on March 31, 2023. Since ATIPL acquired TVIPL in June 2023, partly funded by promoter debt, the leverage has increased and is likely to remain elevated in medium term. The bank loans facilities hold a higher priority than the acquisition debt (NCDs). Consequently, the net debt (including lease liabilities)/PBILDT (as per IndAs 116) for the bank loans expected to exceed 3x as of March 31, 2024.

Given that the tower industry is capex-intensive, especially amid improved demand prospects, there is likely additional debt incurred for capex. CARE Ratings believes the net-debt (including lease liabilities)/PBILDT (as per IndAs 116) shall remain above 3x in the medium term.

The total debt of ATIPL after consolidating TVIPL stood at ₹4,925 crore as on December 31, 2023, which includes term loans of ₹1341 crore, NCDs of ₹1,236 crore and lease liabilities of ₹2348 crore, against a tangible net worth of approximately ₹3,000 crore as on December 31, 2023. However, the company will be able to maintain its gross debt (excluding lease liabilities)/ PBILDT (excluding lease expenses from PBILDT) below 3.50x throughout the tenure of the acquisition debt as per the financial covenants.

Elongated collection periods with some of the key tenants

While the tenancies of the company are fairly distributed among all the major TSPs, the exposure to TSPs with weak financial risk profile through improving continues to be significant. On a consolidated level about sizable piece of the receivables is from TSPs of weaker credit profile as on December 31, 2023.

There has been a marginal reduction in the tenancy exposure to weak TSPs. The same has been driven by higher addition of tenancies from strong TSPs. The company's ability to maintain 100% collection efficiency for monthly billings on a sustained basis remains a key credit monitorable.

Liquidity: Strong

ATIPL on a consolidated basis, had total balances of over ₹ ₹600 crore as on December 31, 2023 [including cash & bank, investments in mutual funds and debt service reserve account (DSRA) of around ₹35 crore and ₹32 crore for the bank loans of ATIPL and TVIPL respectively and ₹45 crore for the NCDs covering one quarter interest and principal obligations] as against debt repayment of ₹34 crore for Q4FY24 (excluding lease liabilities of around ₹14-15 crore for Q4FY24). The company has unutilized fund-based limits of ₹60 crore, providing additional liquidity buffer to the company and is also expected to have strong accruals going forward. The bank loan covenants also stipulate restricted payment conditions for maintenance of ₹50 crore and ₹70 crore cash surplus over and above DSRA by ATIPL and TVIPL respectively and post amalgamation of TVIPL, the incremental cash to be maintained of ₹120 crore in the merged entity over and above DSRA.

Assumption/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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About the company and industry

Industry classification

Macro-economicIndicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Services	Other telecom services

Incorporated on March 28, 2002, ATIPL (earlier known as Aster Infrastructure Private Limited, AIPL), holds a Category I infrastructure provider (IP-I) license issued by the GoI. The company is mainly in the business of providing passive telecom infrastructure on lease to telecom operators and also offers allied services across India. The company has a presence in 20 out of 22 telecom circles (excluding the metro circles of Mumbai and Kolkata) with a tower base of 7,734 towers and 12,693 tenants as on December 31, 2022.

The company is 100% held by funds managed by GIP as on March 31, 2022, which is one of the world's largest infrastructure investors, through IIF-II (managed by GIP), GIL EM Ascend 2 Pte Limited and GIP EM Ascend Pte Ltd (investing vehicles in Singapore). ATIPL acquired TVIPL in June 2023 for a consideration of about ₹3,000 crore.

Brief Financials, Consolidated (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)*
Total operating income	903.90	988.60	1775.69
PBILDT	436.00	505.20	779.03
PAT	123.00	152.90	56.75
Overall gearing (times)	2.45	2.39	NA
Interest coverage (times)	3.16	3.90	1.81

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

*Post-acquisition consolidated provisional figures.

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Please refer to 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: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE889K08038	12-06-2023	11.35	11-06-2028	1236.00	CARE A+; Stable
Fund-based - LT-Bank Overdraft	NA	-	-	-	65.00	CARE AA-; Stable
Fund-based - LT-Term Loan	NA	-	-	31-03-2032	750.00	CARE AA-; Stable
Non-fund-based - ST-Letter of credit	NA	-	-	-	10.00	CARE A1+

NA: Not applicable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Bank Overdraft	LT	65.00	CARE AA-; Stable	1)CARE A+; Stable (02-May-23) 2)CARE A+; Stable (07-Apr-23)	1)CARE A; Stable (13-May-22)	1)CARE A-; Positive (07-Jan-22)	1)CARE A-; Stable (15-Jan-21)
2	Fund-based - LT-Term Loan	LT	750.00	CARE AA-; Stable	1)CARE A+; Stable (02-May-23) 2)CARE A+; Stable (07-Apr-23)	1)CARE A; Stable (13-May-22)	1)CARE A-; Positive (07-Jan-22) 2)CARE A-; Stable (06-Apr-21)	1)CARE A-; Stable (15-Jan-21)
3	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A1+	1)CARE A1+ (02-May-23) 2)CARE A1+	1)CARE A1 (13-May-22)	-	-

					(07-Apr-23)			
4	Debentures-Non Convertible Debentures	LT	1236.00	CARE A+; Stable	1)CARE A+; Stable (02-May-23)	-	-	-

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Bank Overdraft	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Demello Telepower Private Limited	Full	100% subsidiary in similar industry
2	Tower Vision India Private Limited	Full	93% subsidiary as on date in the same line of business

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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