

AircelCellular Limited

November 16, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	17,479	CARE D	Revised from CARE BB+ (SO); Negative (Double B Plus [Structured Obligation]); Outlook: Negative)
Total	17,479 (Rupees Seventeen Thousand Four Hundred and Seventy Nine Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings are based on a consolidated view on the credit risk profiles of Aircel Limited (AL) and its wholly-owned subsidiaries, namely Aircel Cellular Limited (ACL), Dishnet Wireless Limited (DWL) and Aircel Smart Money Limited (ASML), as all the companies operate under common management and are characterized by high level of business integration. AL, ACL, DWL and ASML are hereinafter collectively referred to as "Aircel".

The revision in the ratings assigned to the bank facilities of Aircel take into account the delays in servicing of its debt obligations.

Going forward, the ability of the company to service its debt obligations in a timely manner, finalization of its new business plan after discussions with the lenders and any change in regulations affecting the business and the telecom industry shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations

The company has delayed in repayment of interest on its debt obligations on account of its weak liquidity position as a result of its continuing weak operational performance in the hyper competitive telecom sector.

Deterioration in the operational performance of Aircel

The Indian telecom sector is witnessing intense competition with the launch of services by Jio. The competitive pressure has led to stress on the cash flows and profitability of the incumbents. Gross revenue of the telecom sector for the quarter ended on March 31, 2017 was moderated by around 7% on y-o-y basis. Although, Aircel has reported a 6% growth on y-o-y basis in the number of subscribers, Average Revenue per User (ARPU) and PBILD margin have consistently shown a downward trend leading to deterioration in its financial risk profile.

PBILD for CY16 moderated to Rs.598 crore as against Rs.1429 crore in CY15. Loss for CY16 doubled to Rs.4319 as against a loss of Rs.2215 crore in CY15. The ability of Aircel to improve its operational performance in the current industry scenario will be critical and will continue to be a key rating monitor.

Highly competitive business environment and exposure to regulatory risk

The Indian telecom sector is witnessing a lot of volatility for the past few quarters with the launch of commercial services by Jio. The sector has seen continuing and intensifying competition which has resulted in consolidation among the players, with a few of the minor players exiting the telecom business while some others merging their businesses with larger players. The data services bundled with free voice services offered by the newest entrant have cannibalized both

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

voice and data revenue stream of telecom service operators. With the ongoing tariff war among telecom service operators, ARPUs are showing a consistent downward trend. Revenue growth, as a result is also expected to be moderated, as telecom operators are offering very competitive service plans. This will also impact the government's share of revenue from the telecom sector as the government earns license fees based on the revenue of the telecom companies and taxes and levies.

Key Rating Strengths

Long track record of the group

Aircel started its operations with the launch of services in the Chennai circle in 1995. Since then, the company had expanded its operations and became a pan-India player. As on March 31, 2017, Aircel (AL, ACL and DWL) is present in 22 circles with a total subscriber base of around 90.9 million.

Analytical approach: The ratings consider a consolidated view on credit risk profiles of Aircel Limited and its wholly-owned subsidiaries namely Aircel Smart Money Limited, Aircel Cellular Limited and Dishnet Wireless Limited.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

AL, together with two of its wholly owned subsidiaries ACL and DWL, provides 2G wireless telecom services in all the 22 circles of India and 3G services in 13 circles. ASML, another wholly owned subsidiary of AL, provides mobile banking services. As on March 31, 2017, Aircel has a subscriber base of approximately 90.9 million.

MCB, through Global Communication Service Holdings Limited and Deccan Digital Networks Private Limited, effectively holds approximately 73.99% equity interest in AL.

Brief Financials (Rs. crore)	CY15 (A)	CY16 (A)
Total operating income	11433	11630
PBILDT	1429	598*
PAT	(2215)	(4319)
Overall gearing (times)	NM	NM
Interest coverage (times)	0.80	0.52

*PBILDT arrived at Rs. 598 crore after including the BWA sale related regulatory payouts of Rs. 339 crore, excluding the same PBILDT comes out to Rs. 936 crore.

CY: Calendar Year, A: Audited, NM: Not Meaningful

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

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

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

Analyst Contact

Name: Mr Gaurav Dixit

Tel: 011-45333235

Cell: 9717070079

Email: gaurav.dixit@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Non-fund-based - LT-BG/LC	-	-	-	3750.00	CARE D
Term Loan-Long Term	-	-	FY 24	13729.00	CARE D

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - LT-BG/LC	LT	3750.00	CARE D	1)CARE BB+ (SO); Negative (11-Oct-17) 2)CARE BBB- (SO) (Under Credit watch with Negative Implications) (28-Aug-17) 3)CARE BBB+ (SO) (Under Credit watch with Developing Implications) (07-Jul-17)	1)CARE A-(SO) (Under Credit Watch) (21-Sep-16) 2)CARE A-(SO) (15-Jul-16)	1)CARE A-(SO) (13-Jul-15)	1)CARE BBB+ (SO) (19-Aug-14)
2.	Term Loan-Long Term	LT	13729.00	CARE D	1)CARE BB+ (SO); Negative (11-Oct-17) 2)CARE BBB- (SO) (Under Credit watch with Negative Implications) (28-Aug-17) 3)CARE BBB+ (SO) (Under Credit watch with Developing Implications) (07-Jul-17)	1)CARE A-(SO) (Under Credit Watch) (21-Sep-16) 2)CARE A-(SO) (15-Jul-16)	1)CARE A-(SO) (13-Jul-15)	1)CARE BBB+ (SO) (19-Aug-14)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 851111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com