Dishnet Wireless Limited

August 28, 2017

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities*	**17,479** (Rupees Seventeen Thousand Four Hundred and Seventy Nine Crore Only)	**CARE BBB- (SO) ^ (Triple B Minus) [Structured Obligation] (Under Credit watch with Negative Implications)**	**Revised from CARE BBB+ (SO) (Triple B Plus) [Structured Obligation] (Under Credit Watch with Developing Implications)**

**Part of Group facilities (interchangeable between Aircel Limited, Aircel Cellular Limited, Dishnet Wireless Limited and Aircel Smart Money Limited)*

^backed by support provided by the promoter (Maxis Communications Berhad)

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 work 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 rating assigned to the bank facilities of Aircel takes into account the intensified competition in the indian telecom sector which has weakened the financial risk profile of Aircel. The ratings also factor in the highly-competitive business environment, the regulatory risks associated with the telecom sector and the proceedings pending before the Supreme Court of India in relation to Aircel. The ratings, however, continue to derive strength from the company being a part of the Maxis group, Malaysia, and the sponsor's demonstrated commitment towards Aircel's business in terms of capital assistance and management support.

The rating of Aircel is under 'Credit Watch with Negative Implications' on account of the ongoing merger of wireless business of Reliance Communications Limited (RCom) into Aircel and the possible impact of the same on the credit risk profile of the company and its exposure towards the pending legal issues.

CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Going forward, the ability of Aircel to scale-up its operations with improved operational performance, continued promoter support and any changes in the regulations affecting the business shall be the key rating sensitivities. Further, completion of the merger of the wireless business of Reliance Communications Limited (RCom) into Aircel within the envisaged timeframe will also be a key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of the group and established market position

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

Support from the promoter group

Maxis Communications Berhad ("MCB"), (through Global Communication Services Holdings Ltd and Deccan Digital Networks Private Limited) holds majority stake in Aircel and has provided extensive capital assistance and management support. Post-acquisition and till July 31, 2017, approx. Rs.33,000 crore of funding has been provided to Aircel.

However, with the deteriorating operating and financial performance the dependence on funding support from promoter is increasing. Continued promoter support becomes critical for Aircel's ability to timely service its obligations. The continued funding support from the sponsor will continue to be a key rating monitorable. Further, the nature of sponsors support post-merger of RCom's wireless business in Aircel will be critical for the credit profile of the resultant entity.

Key Rating Weaknesses

Deterioration in the operational performance of Aircel leading to deteriorating financial profile

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

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 (ARPUs) and PBILDT margin have consistently shown a downward trend leading to deterioration in its financial risk profile.

PBILDT 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 monitorable.

Merger of wireless business of Reliance Communications Limited into Aircel

In September 2016, RCom and MCB entered into definitive agreement to merge the wireless business of Rcom into Aircel. The merged entity would derive the benefits of consolidation, including opex and capex synergies and revenue enhancement. The National Company Law Tribunal (NCLT) had on August 14, 2017, admitted the merger petition of RCom to merge its wireless business with Aircel. The merger proposal has received approvals from SEBI, CCI, BSE and NSE. Completion of the merger of the wireless business of RCom into Aircel within the envisaged time frame will continue to be a key rating monitorable. The rating also takes note of the fact that legal risks for Aircel continues to persist as the Supreme Court of India is hearing petitions filed by certain quarters in relation to the investigations into the acquisition of Aircel by MCB in 2006.

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 of Jio. The sector has seen continuing and intensifying competition which has also 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 voice and data revenue stream of telecom service operators. With the ongoing tariff war among the telecom service operators, the ARPUs are showing a consistent downward trend. Revenue growth, as a result is also expected to get 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 government earns license fees based on the revenue of the telecom companies and taxes & levies.

Analytical approach: The ratings consider a consolidated view on credit risk profiles of Aircel Limited and its wholly-owned subsidiaries namely ASML, ACL and DWL. The rating also factors in the sponsor support provided by MCB.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for placing rating on credit watch
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 had 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: +91 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 BBB- (SO) (Under Credit watch with Negative Implications)
Term Loan-Long Term	-	-	FY24	13729.00	CARE BBB- (SO) (Under Credit watch with Negative Implications)

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 BBB- (SO) (Under Credit watch with Negative	1)CARE BBB+ (SO) (Under Credit watch with Developing	1)CARE A- (SO) (Under Credit	1)CARE A- (SO) (13-Jul-15)	1)CARE BBB+ (SO) (19-Aug-14)

				Implications)	Implications) (July 07, 2017)	Watch) (21-Sep-16) 2)CARE A- (SO) (15-Jul-16)		
2.	Term Loan-Long Term	LT	13729.00	CARE BBB- (SO) (Under Credit watch with Negative Implications)	1)CARE BBB+ (SO) (Under Credit watch with Developing Implications) (July 07, 2017)	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: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 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

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

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@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

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

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

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

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

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

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

CIN - L67190MH1993PLC071691