

Reliance Communications Limited ^(Revise)

May 30, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	9,322	CARE D [Single D]	Revised from CARE BB (Double B) (Credit Watch with Developing Implications)
Short term Non –Fund based facilities	8,034	CARE D [Single D]	Revised from CARE A4 (A Four) (Credit Watch with Developing Implications)
Total Bank Facilities	17,356 (Rs. Seventeen Thousand Three Hundred and Fifty Six crores only)		
Long term instruments (NCD)	750	CARE D [Single D]	Revised from CARE BB (Double B) (Credit Watch with Developing Implications)
Short term debt issue	2,880	CARE D [Single D]	Revised from CARE A4 (A Four) (Credit Watch with Developing Implications)

Details of instruments/facilities in Anneuxre-1

Rating Rationale

The revision in the ratings assigned to the bank facilities, NCD issue and short term debt issue of Reliance Communications Limited (RCOM) takes into account delays in the servicing of its debt obligations as a result of significant stress on its cash flows and high levels of debt repayments. The company has delayed the interest as well as principal repayments due on its Non-Convertible debentures. The NCD installment of Rs.375 crore due on 7th February 2017 was paid on 10th April 2017 by the company. The company is currently in discussions with the lenders of its bank facilities for restructuring / refinancing its debt which is due for repayment. The company has witnessed significant deterioration in its financial profile and liquidity profile over the past six months due to a significant increase in the competitive intensity in the telecom industry.

Detailed description of the key rating drivers**Key Rating Weakness**

Delay in servicing of debt obligation: RCOM had delayed in servicing of its debt obligations due to severe deterioration in the financial and liquidity profile coupled with high debt service obligations.

Analytical approach: Considering the strong operational and financial linkage with the subsidiaries, the consolidated financials of RCOM are considered for analysis purpose.

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

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

About the Company

Reliance Communications Limited (RCOM), founded by late Mr Dhirubhai H Ambani, is the flagship company of the Reliance Group (Reliance Group), led by Mr Anil Dhirubhai Ambani. RCOM is one of India's leading integrated telecommunications service providers with a customer base of around 87.7 million as at December 31, 2016. RCOM's corporate clientele includes over 39,000 Indian and multinational corporations including small and medium enterprises and over 290 global, regional and domestic carriers. It has an established pan-India, integrated (wireless and wireline), convergent (voice, data and video) digital network that can support the entire communications value chain, covering over 21,000 cities and towns and over 400,000 villages. RCOM owns and operates one of the largest IP enabled connectivity infrastructure, comprising over 280,000 kilometres of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. RCOM offers Nationwide Direct-To-Home (DTH) service through its wholly owned subsidiary, Reliance Big TV Limited in over 8,350 towns across the country. Using MPEG 4 technology, it offers close to 250 channels and 10 Radio channels along with host of Interactive services.

The company is currently in the process of carving out its wireless business and merging it with Aircel. As per the announcement made by the company on the wireless business, RCOM and Maxis Communications Berhad (MCB), the promoters of Aircel, will hold 50% each in the merged entity, with equal representation on board. RCOM has also signed a definitive agreement with Brookfield Infrastructure Group for sale of the company's tower business. Subsequent to the completion of these transactions, the company plans to repay an aggregate amount of Rs 25,000 crore to the lenders, leading to a substantial reduction in its debt. RCOM is presently engaged in discussions with its lenders to obtain their requisite consents for the two transactions and to refinance scheduled instalments falling due in the interim period up to 30th September, 2017.

RCOM's FY17 total income stood at Rs.19,949 crore (Rs. 21,819 crore in FY16) and loss at the PAT (Profit After Tax) level of Rs.,1283 crore (PAT of Rs.705 crore in FY16).

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: Pawan Matkari

Tel: 022-67548 529

Email: pawan.matkari@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
Fund-based - LT-Term Loan	-	-	March 2020	9322.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	8034.00	CARE D
Debentures-Non-convertible Debentures	Feb 7, 2012	11.25%	Feb 7, 2019	750.00	CARE D
Short-term Instruments-STD	-	-	-	2880.00	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.	Fund-based - LT-Term Loan	LT	9322.00	CARE D	1)CARE BB (Under Credit watch with Developing Implications) (22-May-17)	1)CARE A- (Under Credit Watch) (07-Oct-16)	1)CARE A- (09-Feb-16)	1)CARE A- (13-Feb-15)
2.	Short Term Instruments- STD	ST	2880.00	CARE D	1)CARE A4 (Under Credit watch with Developing Implications) (22-May-17)	1)CARE A2+ (Under Credit Watch) (07-Oct-16)	1)CARE A2+ (09-Feb-16)	1)CARE A2+ (13-Feb-15)
3.	Debentures-Non Convertible Debentures	LT	750.00	CARE D	1)CARE BB (Under Credit watch with Developing Implications) (22-May-17)	1)CARE A- (Under Credit Watch) (07-Oct-16)	1)CARE A- (09-Feb-16)	1)CARE A- (13-Feb-15)
4.	Non-fund-based - ST-BG/LC	ST	8034.00	CARE D	1)CARE A4 (Under Credit watch with Developing Implications) (22-May-17)	1)CARE A2+ (Under Credit Watch) (07-Oct-16)	1)CARE A2+ (09-Feb-16)	1)CARE A2+ (13-Feb-15)

CONTACT**Mr. Mehul Pandya**

Cell: +91-98242 56265

E-mail: mehul.pandya@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

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. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@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

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