

## Tata Teleservices (Maharashtra) Limited

January 15, 2020

### Ratings

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Commercial Paper issue	7,500.00 (enhanced from 5,500.00)	CARE A1+ (A One Plus)	Reaffirmed
<b>Total</b>	<b>7,500.00</b> <b>(Rupees seven thousand and five hundred crore only)</b>		

*Details of instruments in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in the rating assigned to the Commercial Paper Issue of Tata Teleservices (Maharashtra) Limited (TTML) continues to factor in continued expected support from Tata Sons. Tata Sons has infused about Rs. 46,595.05 crore from January 01, 2014 to December 31, 2019 in TTML and its associate Tata Teleservices Limited (TTSL, rated CARE A+; Stable/CARE A1+). The ratings also factor in the successful completion of demerger process of TTML's Mobile Business with Bharti Airtel Limited for a consideration of Rs. 1,624 crore.

The rating strengths are, however, tempered by continued losses, highly leveraged position, regulatory uncertainties as well as intense competition in the telecommunications industry.

### Rating Sensitivities

#### Positive Factors

- More than expected improvement in operational and financial performance of residual business of TTML

#### Negative Factors

- Change in stance of support from Tata Sons
- Deterioration in credit risk profile of Tata Sons

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Continued demonstrated financial support from the Tata Group:** 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 December 31, 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.

#### Key Rating Weaknesses

**Subdued operating performance leading to continued losses:** The total operating income of the TTML has decreased to Rs. 1,276.31 crore in FY19 from Rs. 1,869.60 crore in FY18. The decline in revenue share as well as market share was primarily due to prevalent intense competition in the Telecom industry. Post demerger of Consumer Mobile Business, the enterprise business is expected to generate profits at PBILDT level. Timely support from parent; i.e. Tata Sons will remain crucial as the business operations may continue to report losses in the medium term.

**High leverage position:** The cash generation from the business operation continues to be negative. Also, the high losses incurred in the past have adversely impacted the networth of the company. TTML's capital structure remains subdued and debt levels (including inter-corporate deposits) continue to be high at around Rs. 14,917.23 crore as on September 30, 2019 despite infusion of funds by the promoters as well as transfer of debt of Rs. 1,624 crore from TTML to Bharti Airtel as part of the demerger plan. The debt coverage indicators and gearing levels continue to remain subdued. For debt repayment obligations, the company will continue to seek support from parent.

**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

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

susceptible to adverse regulatory changes. The ability of the company to mitigate these risks will continue to remain as key rating factor.

#### Liquidity: Adequate

The liquidity profile of the Tata Tele will continue to be supported by regular infusion of funds by Tata Sons. TTML had cash and cash equivalents of Rs. 73.47 crore as on September 30, 2019. TTML is currently funding its gap through working capital borrowings primarily through Commercial Paper issues. The utilization of fund based limits remain low during the year. The average utilization of non-fund based limits remain around 60%-70% during the year. By virtue of being part of the Tata group, TTML enjoys substantial financial flexibility characterized by demonstrated continued support from Tata Sons.

**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 derives comfort from parent support i.e. Tata Sons. Tata Sons has already infused about Rs. 46,595.05 crore from January 01, 2014 to December 31, 2019 in TTML and its associate Tata Teleservices Limited 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](#)

[Criteria for Short Term Instruments](#)

[Rating methodology- Consolidation and Factoring Linkages in ratings](#)

[Rating Methodology – Infrastructure Sector Ratings](#)

[Financial ratios - Non-Financial sector](#)

#### About the Company

Incorporated on March 13, 1995 as Hughes Ispat Ltd., TTML was acquired by the Tata group in December 2002. As on September 30, 2019, 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 wireline data, connectivity, marketing and voice services along with managed services and IoT products under the existing Enterprise Business.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	1,869.60	1,276.31
PBILDT	63.82	211.51
PAT	-9,841.99	-667.60
GCA (Gross Cash Accruals)	-9,309.08	-490.02
Overall gearing (times)	NM	NM
Interest coverage (times)	0.04	0.13

A: Audited; NM: Not meaningful

\*The financials are adjusted as per CARE Standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

#### 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
Commercial Paper	-	-	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (05-Oct-18)	1)CARE A+ (Under Credit watch with Developing Implications) (10-Nov-17) 2)CARE A- (Under Credit watch with Developing Implications) (24-Oct-17)	1)CARE A-; Negative (27-Mar-17) 2)CARE A (01-Nov-16) 3)CARE A (04-Aug-16)
2.	Fund-based - LT-Cash Credit	LT	50.00	CARE A+; Stable	1)CARE A+; Stable (27-Dec-19) 2)CARE A+; Stable (20-Aug-19) 3)CARE A+; Stable (26-Jun-19)	1)CARE A+ (Under Credit watch with Developing Implications) (05-Oct-18)	1)CARE A+ (Under Credit watch with Developing Implications) (10-Nov-17) 2)CARE A- (Under Credit watch with Developing Implications) (24-Oct-17)	1)CARE A-; Negative (27-Mar-17) 2)CARE A (01-Nov-16) 3)CARE A (04-Aug-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	209.00	CARE A1+	1)CARE A1+ (27-Dec-19) 2)CARE A1+ (20-Aug-19) 3)CARE A1+ (26-Jun-19)	1)CARE A1+ (Under Credit watch with Developing Implications) (05-Oct-18)	1)CARE A1+ (Under Credit watch with Developing Implications) (10-Nov-17) 2)CARE A2+ (Under Credit watch with Developing Implications) (24-Oct-17)	1)CARE A2+ (27-Mar-17) 2)CARE A1 (01-Nov-16) 3)CARE A1 (04-Aug-16)
4.	Fund-based/Non-fund-based-LT/ST	-	-	-	-	-	1)CARE A+ / CARE A1+ (Under Credit watch with Developing Implications) (10-Nov-17) 2)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (24-Oct-17)	1)CARE A-; Negative / CARE A2+ (27-Mar-17) 2)CARE A (01-Nov-16) 3)CARE A (04-Aug-16)
5.	Fund-based - ST-Term loan	ST	-	-	-	1)Withdrawn (05-Oct-18)	1)CARE A1+ (Under Credit watch with Developing Implications)	1)CARE A2+ (27-Mar-17) 2)CARE A1 (01-Nov-16) 3)CARE A1

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
							(10-Nov-17) 2)CARE A2+ (Under Credit watch with Developing Implications) (24-Oct-17)	(04-Aug-16)
6.	Commercial Paper	ST	7500.00	CARE A1+	1)CARE A1+ (27-Dec-19) 2)CARE A1+ (20-Aug-19) 3)CARE A1+ (26-Jun-19) 4)CARE A1+ (Under Credit watch with Developing Implications) (16-May-19)	1)CARE A1+ (Under Credit watch with Developing Implications) (20-Mar-19) 2)CARE A1+ (Under Credit watch with Developing Implications) (12-Dec-18) 3)CARE A1+ (Under Credit watch with Developing Implications) (05-Oct-18) 4)CARE A1+ (Under Credit watch with Developing Implications) (26-Jun-18)	1)CARE A1+ (Under Credit watch with Developing Implications) (22-Dec-17)	-
7.	Fund-based-Long Term	LT	1192.50	CARE A+; Stable	1)CARE A+; Stable (27-Dec-19) 2)CARE A+; Stable (20-Aug-19) 3)CARE A+; Stable (26-Jun-19)	-	-	-
8.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	1000.00	CARE A+; Stable / CARE A1+	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)	-	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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