Tata Teleservices (Maharashtra) Limited

July 07, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities –Term Loan	1,187.50 (reduced from RS.1192.50 core)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities – Fund Based- Cash Credit	50.00	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities –Non Fund Based- BG/LC	254.00 (enhanced from Rs.209 crore)	CARE A1+ (A One Plus)	Reaffirmed
Long-term/Short-term- Fund based/Non-fund based	960.00 (reduced from Rs.1000 crore)	CARE A+; Stable/ CARE A1+ (Single A Plus; Outlook: Stable/A One Plus)	Reaffirmed
Total Bank Facilities	**2,451.50 (Rupees Two Thousand Four Hundred Fifty One Crore and Fifty Lakhs only)**		
Commercial Paper issue	7,500.00	CARE A1+ (A One Plus)	Reaffirmed
Total Instruments	**7,500.00 (Rupees Seven Thousand and Five Hundred Crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation the ratings assigned to the bank facilities/instruments 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 June 30, 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 with effective date of July 01, 2019. Consequently, all customers, assets, spectrum, and agreed liabilities of Tata Tele have been merged with Bharti Airtel. Post-merger, Tata Tele continues to provide the residual businesses such as enterprise business, fixed-line, and broadband business.

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

Ability of the company to improve its market share as well as profitability of its enterprises business in the wake of intense competition and continued support from the Tata Sons will remain the key rating monitorable.

Rating Sensitivities

Positive Factors

- Significant turnaround in operational and financial performance of TTML with improvement in profitability

Negative Factors

- Any change in stance of Tata Sons Private Limited resulting in lack of financial support to TTML
- Any significant additional liabilities than envisaged by the company arising out of ongoing AGR dispute and other regulatory matters
- Any substantial deterioration in the credit profile of Tata Sons Private Limited

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

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

June 30, 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 Private Limited. CARE expects continued financial support from the promoters going forward to support the business operations.

Key Rating Weaknesses

Subdued operating performance leading to continued losses: The total operating income of the TTML has declined from Rs. 1276.31 crore in FY19 (Audited) to Rs. 1077.74 crore in FY20 (abridged). The decline in revenue share as well as market share was primarily due to prevalent intense competition in the Telecom industry and also on account of demerger of CMB (Consumer mobile business) effective July 01, 2019. Losses incurred during the year have widened from Rs. 667 crore in FY19 to Rs.3714 in FY20 crore mainly due to exceptional expense items amounting to Rs.2430.28 crore during the year which primarily consists of additional provision for AGR (Adjusted Gross Revenue) dues and other regulatory matters. The interest cost remains high from overall cost structure perspective resulting in PAT level losses. Post demerger of Consumer Mobile Business in July 2019, the enterprise business is expected to improve profitability at PBILDT level. The 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 operations continues to be negative. Also, the high losses incurred in the past have adversely impacted the net worth of the company. TTML's capital structure remains highly leveraged and debt levels (including inter-corporate deposits) continue to be high at around Rs. 15,706.19 crore as on March 31, 2020 (Incl. Rs. 10134.15 crore of Inter-corporate deposits from TTSL). The debt coverage indicators and gearing level continue to remain weak. 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 susceptible to adverse regulatory changes. The ability of the company to mitigate these risks will continue to remain as key rating factor.
Based on DoT's (Department of Telecommunications) assessment of LF (License fee) as a percentage of AGR, DoT had raised a total demand of ~Rs.14819 crore from TTML and TTSL. TTML has made AGR due payments to DoT of Rs.639 crore during FY20 based on self-assessment of the liability. Further, prayer of DoT to consider staggered payments of outstanding AGR dues of all Indian Telcos over a period of 20 years is still pending in court. CARE continues to monitor the situation closely and any adverse impact on TTML on account of unfavorable outcome of the same would be a key rating monitorable.

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. 84.53 crore as on March 31, 2020. TTML is currently funding its gap through working capital borrowings primarily through CP 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. The Company has obtained a support letter from its Promoter indicating that the Promoter will take necessary actions to organize for any shortfall in liquidity during the period of 12 months from the balance sheet date.

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 June 30, 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]
[Financial ratios – Non-Financial Sector]
[Rating Methodology – Infrastructure Sector]
[Consolidation and Factoring Linkages in ratings]

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 wire line data, connectivity, marketing and voice services along with managed services and IoT products under the existing Enterprise Business.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)*
Total operating income	1276.31	1077.74
PBILDT	211.51	456.22
PAT	-667.60	-3714.11
Overall gearing (times)	NM	NM
Interest coverage (times)	0.13	0.30

A: Audited; NM: Not Meaningful
**based on abridged audited financials provided by the company.*

Note: the financials have been reclassified as per CARE standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

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
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE A+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	254.00	CARE A1+
Fund-based-Long Term	-	-	April 2021	1187.50	CARE A+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	960.00	CARE A+; Stable / CARE A1+
Commercial Paper	-	7.4% to 8.4%	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
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)
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)
3.	Non-fund-based - ST-Bank Guarantees	ST	254.00	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)
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)
5.	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (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)

6.	Commercial Paper	ST	7500.00	CARE A1+	-	1)CARE A1+ (15-Jan-20) 2)CARE A1+ (27-Dec-19) 3)CARE A1+ (20-Aug-19) 4)CARE A1+ (26-Jun-19) 5)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	1187.50	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	960.00	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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.

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