

Tata Teleservices (Maharashtra) Limited

August 20, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities –Term Loan	1,192.50	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	209.00	CARE A1+ (A One Plus)	Reaffirmed
Long-term/Short-term- Fund based/Non-fund based	1,000.00	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	5,500.00 (reduced from 9,000.00) (Rupees Five Thousand and Five Hundred Crore only)	CARE A1+ (A One Plus)	Reaffirmed

Details of Facilities/instruments 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 expected continued support from Tata Sons. Tata Sons has infused about Rs. 46,595.05 crore from January 01, 2014 to June 21, 2019 in TTML and its associate Tata Teleservices Limited (TTSL, rated CARE A+; Stable/CARE A1+) together referred as Tata Tele. The ratings also factor in the successful completion of demerger process of Tata Tele's Mobile Business with Bharti Airtel Limited for a consideration of Rs. 5,093 crore.

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 sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Continued demonstrated financial support from the Tata Group: TTSL and TTML (together referred as Tata Tele) marked foray of the Tata group into the telecom sector. Tata Tele has 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 June 21, 2019 into the business to fund the losses, debt repayments as well as for capital expenditure. The ratings of Tata Tele 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 Tata Tele has decreased to Rs. 4,144 crore in FY19 from Rs. 7,495 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. 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 operation continues to be negative. Also, the high losses incurred in the past have adversely impacted the networth of the company. Tata Tele's capital structure remains subdued and debt levels (including inter-corporate deposits) continue to be high at around Rs. 17,429.35 crore as on July 31, 2019 despite infusion of funds by the promoters as well as transfer of debt of Rs. 5,093 crore from Tata Tele to Bharti Airtel as part

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

of the demerger plan. The debt coverage indicators and gearing level 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 susceptible to adverse regulatory changes. The ability of Tata Tele 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. Tata Tele had cash and cash equivalents of Rs. 935 crore as on June 30, 2019 as against Rs.1,943.66 crore as on March 31, 2019. At present, Tata Tele holds around Rs. 446 crore of cash and cash equivalents as at July 31, 2019. Tata Tele 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, Tata Tele enjoys substantial financial flexibility characterized by demonstrated continued support from Tata Sons.

Analytical approach: CARE has considered the combined view of TTSL and TTML (together referred to as Tata Tele) considering the common management, strong operational and financial linkages among both the entities. The ratings centrally derives comfort from parent support i.e. Tata Sons. Tata Sons had already infused about Rs. 46,595.05 crore during the period starting from January 01, 2014 to June 21, 2019 in both the entities 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 - Mobile Service Provider](#)

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

[Rating methodology- Factoring Linkages](#)

About the Company

Incorporated on March 13, 1995 as Hughes Ispat Ltd., TTML was acquired by the Tata group in December 2002. As on June 30, 2019, the Tata Group holds 74.36% stake in TTML. Incorporated in 1995, TTSL is a part of the Tata group. Tata Sons along with its affiliates holds around 90% stake in TTSL as on March 31st, 2019. On July 01, 2019, Tata Tele has already completed the sale of its consumer mobile business to Bharti Airtel (and Bharti Hexacom). Accordingly, all customers, assets, spectrum and agreed liabilities of Tata Tele have been transferred to Bharti Airtel.

TTSL, along with TTML offers wireline data, connectivity, marketing and voice services along with managed services and IoT products under the existing Enterprise Business. Furthermore, Tata Tele is evaluating various options, including complete exit, with regards to its enterprise and fixed line/broadband businesses which it continues to hold at present.

Following are the brief financials of Tata Tele:

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)#
Total operating income	7,495	4,144
PBILDT	-656	365
PAT	-27,472	-5,898
GCA (Gross Cash Accruals)	-25,853	-5,288
Overall gearing (times)	NM	NM
Interest coverage (times)	-ve	0.08

A: Audited; # based on abridged audited financials provided by the company.

*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
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE A+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	209.00	CARE A1+
Fund-based-Long Term	-	-	April, 2021	1192.50	CARE A+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	1000.00	CARE A+; Stable / CARE A1+
Commercial Paper	-	-	7 days to 364 days	5500.00	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 (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+ (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)	1)CARE A-; Negative / CARE A2+ (27-Mar-17) 2)CARE A

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							(10-Nov-17) 2)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (24-Oct-17)	(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) (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)
6.	Commercial Paper	ST	5500.00	CARE A1+	1)CARE A1+ (26-Jun-19) 2)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 (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+ (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.

Contact us

Media Contact

Mr. Mradul Mishra
Contact no. : +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Mr. Ratnam Raju Nakka
Group Head Contact no.: +91-22- 6837 4472
Group Head Email ID: ratnam.nakka@careratings.com

Relationship Contact

Ms Meenal Sikchi
Contact no. : +91-22- 68754 3455
Email ID: meenal.sikchi@careratings.com

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