

June 16, 2010

CARE HAS REVISED THE RATING ASSIGNED TO THE BANK FACILITIES OF 21ST CENTURY INFRA TELE LTD.

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	550	'CARE A(SO)' [Single A (Structured Obligation)]	Revised from 'CARE A- (SO)' [Single A Minus (Structured Obligation)]

Rating Rationale

The rating is based on unconditional, irrevocable letter of undertaking provided by Tata Teleservices (Maharashtra) Limited (TTML) [Rated CARE A and PR1 for bank facilities] to all the secured lenders for timely servicing of above rated facilities.

TTML's rating factors in its the strong parentage of TATA group and their continued support to the company, experienced management, favourable demand in the telecom sector, rapidly increasing subscriber base, expanding presence in the Global System for Mobile communications (GSM) segment along with NTT DoCoMo and improved liquidity due to sale of 100% stake of its tower company 21st Century Infra Tele Limited (CITL). The ratings are further supplemented by relative advantage of the company presently operating in the lucrative circles of Mumbai and rest of Maharashtra (including Goa), strong distribution network alongwith strategic relationship with TATA Teleservices Limited (TTSL) which has a pan India presence and cash profits earned by the company from FY07 onwards.

The rating is, however, constrained by high debt burden, higher interest costs, substantial accumulated losses, elevated working capital requirements, funding requirement to support its foray into GSM segment, capital intensive nature of the industry in which the company operates and growing competition from other established players. Improving the network in the current market conditions, increasing the subscriber base and improvement in margins are the key rating sensitivities.

Company Background

21st Century Infra Tele Ltd. (CITL) was incorporated on June 28, 2007 as a wholly owned subsidiary of TTML. It was formed for taking over the passive infrastructure division of TTML (consisting of the towers, DG sets, air-conditioners, associated cabling, etc.) and to operate as an independent telecom tower operator. CITL owned 2,535 towers as on March 17, 2010 mainly clustered in Mumbai, Pune, Nagpur and Nashik.

²Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

During March 2010, TTML agreed to sell CITL to Wireless-TT Info Services Ltd. (WTTIL) at a price of Rs.1,318 crore and is expected to receive net cash of around Rs.900 crore from the deal. WTTIL, also known as Tata Quippo, was formed by merger of the telecom tower operations of TTSL and Quippo Telecom Infrastructure (Quippo). TTSL holds 51% in WTTIL while 49% is held by Quippo. However, management control of the entity is with Quippo.

CITL generated a total income of Rs.19.76 crore in FY09 which was the first full year of operations for the company. The company has also been able to generate cash profits since the beginning of its operations. Majority of its revenue is received from TTML which has been its anchor tenant in all its sites.

About Guarantor

TTML was acquired by the Tata group in December 2002 and under the Unified Access Services Licence (UASL) provides wireline, fixed wireless and mobile services within the States of Maharashtra and Goa. Subscriber base of TTML as on March 31, 2009 was 7.40 million as compared to 5.08 million as on March 31, 2008. As per the published results for the 9MFY10, TTML, on a standalone basis, achieved total revenue of Rs.1,641 crore and incurred a loss of Rs.232 crore. However, TTML earned a cash profit of Rs.136 crore during the period.

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