

April 26, 2010

CARE REAFFIRMS RATING OF BANK FACILITIES OF AIRCEL CELLULAR LTD.

CARE has reaffirmed '**CARE A-' (Single A Minus)** rating to the Long-term Bank Facility of Aircel Cellular Ltd (ACL) aggregating Rs.11 cr. This rating is applicable to facilities having tenure of more than one year. Facilities with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such facilities carry low credit risk.

CARE assigns '+' or '-' signs to be shown after the assigned rating to indicate the relative position within the band covered by the rating symbol.

Facilities/	Amount (Rs. crore)	Rating
Long-term Bank Facilities	11	CARE A-
Total	11	

Rating Rationale

The rating considers a consolidated view on credit risk profiles of Aircel Ltd. and its wholly-owned subsidiaries namely Aircel Cellular Ltd. (ACL) and Dishnet Wireless Ltd. (DWL) since all the companies work under common management and are characterized by high level of business integration.

The rating continues to take into account the proven track record and leadership position of ACL in the Chennai circle, consistently profitable operations in the past, regular growth in the subscriber base and the comfort derived from the company being a part of the MAXIS Group, Malaysia and its commitment towards business in terms of experience in the telecom sector, capital assistance and management support. However, the rating is constrained by the fact that the company is present in only a single circle in a highly-competitive environment prevailing in the telecom sector leading to high cost of customer acquisition and retention. On a consolidated basis, the ratings also factor in the benefits derived from the recently announced passive infrastructure hive-off deal and ACL being exposed to the project risks related to the significant growth plans of the group requiring large capital investments. Going forward, ability of the company to maintain its leadership position while sustaining the profitability in light of highly-competitive environment shall be the key rating sensitivities.

Company Profile

ACL is a wholly-owned subsidiary of Aircel Ltd. ACL offers Global System for Mobile Communication (GSM)-based services in the Chennai circle. Majority shareholding shareholding of Maxis Communications Berhad, Malaysia (74%) in Aircel Limited imparts strength to ACL's business and financial profile.

ACL has been providing mobile telephony services in the Chennai circle since 1995. As part of Aircel group, the company enjoys strong linkages with the group and shares common management, processes, policies and brand i.e. 'Aircel'. As on December 31, 2009, the company enjoys leadership position in the Chennai circle with a subscriber base of about 2.8 mn.

For the year ended December 31, 2008, the company posted income of Rs.558.99 cr with PBILD and PAT of Rs.200.52 cr and Rs.107.01 cr, respectively.

During CY09, the company posted income of Rs.535.84 cr (provisional) with PAT of Rs.34.50 cr (provisional), respectively.

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CARE 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.

Disclaimer

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