

September 17, 2010

**CARE REAFFIRMS RATING TO THE ASSIGNED BANK FACILITIES OF
TATA TELESERVICES LTD.(FOR ENHANCED AMOUNT)**

Rating

Facilities	Amount (Rs. crore)	Rating¹	Remarks
Long-term bank facilities	482.37 (enhanced from Rs.150 crore)	'CARE A+' (Single A Plus)	Reaffirmed
Short-term bank facilities	550 (enhanced from Rs.100 crore)	'PR1+' (PR One Plus)	Reaffirmed

Rating Rationale

The ratings derive strength from the continuous support received from Tata group, successful balance sheet restructuring carried out during FY09, strategic alliance with NTT DoCoMo involving upfront equity infusion, pan-India presence in the CDMA segment and increase in the subscriber base due to launching of services in the GSM segment.

However, the ratings are constrained by losses during the past years, low profitability, significant expansion plans involving substantial capex and increasing competition in the telecom sector.

Earning cash profitability and improving the networth in the current market condition, increasing the subscriber base and improvement in margins are the key rating sensitivities.

Company Profile

Tata Teleservices Limited (TTSL) was incorporated in 1996 and is part of the US \$ 70.8 billion Tata Group. TTSL acquired Hughes Telecom (India) Limited (now renamed Tata Teleservices (Maharashtra) Limited and is an associate of TTSL) in December, 2002. It launched its mobile operations in January 2005 and now has a pan-India presence through existing operations in 22 telecom Circles. TTSL along with its associate Tata Teleservices (Maharashtra) Ltd (TTML) offers services under the brand name "Tata Indicom", and GSM services under the brand name "Tata Docomo". As on July 31, 2010, TTSL had over 61.62 million customers.

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

TTSL earlier had a presence only in the CDMA segment. In January 2008, TTSL's license application was amended by the Department of Telecommunications (DoT) permitting it to launch GSM based mobile services in the country. TTSL launched the GSM services in the month of July 2009 with differentiated products and services under the TATA DoCoMo brand name. TATA DoCoMo has been formed out of the Tata Group's strategic alliance with Japanese telecom major NTT DoCoMo announced in November 2008. As on July 2010, TTSL along with TTML has already launched its GSM services in 18 telecom circles.

TTSL implemented a capital restructuring plan approved by the Hon'ble High Court of Delhi to write off its losses and unabsorbed depreciation. As on March 31, 2009, TTSL had a cash and bank balance of Rs.9,091 crore due to infusion of equity capital through fresh issue of equity to NTT DoCoMo.

As per the provisional FY10 results, on a total income of Rs.6,397 crore, TTSL incurred a net loss of Rs.1,334 crore. However it earned a cash profit of Rs.396 crore for the year.

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