

September 17, 2010

**CARE ASSIGNS 'CARE A+' RATING TO THE NCDISSUE OF  
TATA TELESERVICES LIMITED.****Rating**

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Proposed Non-Convertible Debenture issue (NCD) issue	500	'CARE A+' (Single A Plus)	Assigned

**Rating Rationale**

The rating derives 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.

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.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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.

**Analyst Contact**

Name: Gaurav Dixit

Tel # 67543483

Mobile # 9892962879

Email:Gaurav.dixit@careratings.com.

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3<sup>rd</sup> Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>