

August 10, 2010

CARE ASSIGNS 'CARE A' AND 'PR1' RATINGS TO THE BANK FACILITIES OF WIRELESS TT INFO SERVICES LTD AND PLACES THE RATINGS UNDER CREDIT WATCH

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	3,530.00	'CARE A' (Single A) (Under Credit Watch)	Assigned*
Short-term Bank Facilities	1,050.00	'PR1' (PR One) (Under Credit Watch)	Assigned*
Total Facilities	4,580.00		

The ratings have been placed under **'Credit Watch'** in view of the proposed demerger of passive infrastructure division (tower portfolio) of Quippo Telecom Infrastructure Ltd (QTIL) into WTTIL to form a combined entity (WTTIL-QTIL), which is yet to be approved by Hon'ble High Courts of Delhi and Andhra Pradesh. The Scheme of demerger has been filed in the High Courts of Delhi and Andhra Pradesh by QTIL and WTTIL respectively and (once approved) would come into effect from the appointed date i.e. April 1, 2009. Further, in March 2010, WTTIL-QTIL has announced acquiring the entire stake in 21st Century Infra Tele Ltd. [TCITL, Rated CARE A(SO)]. CARE is in the process of evaluating the details of these acquisitions and their impact on the credit quality of WTTIL. The final rating would be announced on completion of this evaluation.

*The ratings consider a consolidated view on the credit risk profile of the combined entity (WTTIL-QTIL), since both the companies are working as a combined entity under common management at present. However, a single legal entity would emerge only after approvals from the respective High Courts are obtained.

Rating Rationale

The ratings derive strength from the strong market position of the combined entity emanating from a large tower portfolio with high tenancy ratio, high visibility of revenues and cash flows derived from the established telecom operators supported by long-term Master Service Agreements, preferred vendor status from Tata Tele Services Ltd. (TTSL), healthy operating margins as well as favourable industry outlook in short and medium term. The ratings also factor in the experienced and resourceful promoter in Tata Group (with majority shareholding in the combined entity) as well as experience of the Quippo group in managing independent tower business. The ratings are however constrained by large debt-funded expansion plans (including new tower roll-outs and acquisition of TCITL.) resulting in high overall gearing) and competitive nature of the industry which can exert pressures on margins.

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

Going forward, ability of WTTIL-OTIL to streamline and integrate operations post merger, improve profitability and generate adequate cash accruals as well as improvement in capital structure while maintaining growth shall be the key rating sensitivities.

Company Profile

WTTIL is a subsidiary of Tata Teleservices Limited (rated CARE A+ and PR1+) and was incorporated in March 2004. It commenced the operations in FY 2007-08, after acquiring the tower portfolio of TTSL on slump sale basis.

In January 2009, TTSL (through WTTIL) and Srei group (through QTIL) announced a two-phase amalgamation wherein passive infrastructure division (tower portfolio) of QTIL would be demerged into WTTIL in order to create an independent tower company - WTTIL-OTIL (combined entity). Tata group would hold 55.16%, whereas Srei and other financial investors of QTIL would hold the balance stake in the combined entity post the demerger. The Scheme of demerger is awaiting approval of High Courts of Delhi and Andhra Pradesh. Thus, at present, both the companies are working as a combined entity under common management, though a legal entity would emerge only after the conclusion of the transaction.

In March 2010, the combined entity has announced the acquisition of 21st Century Infra Tele Ltd. (rated CARE A(SO)), subsidiary of Tata Teleservices (Maharashtra) Ltd (rated CARE A and PR1), which is proposed to be completed in two phases by September 2010.

On a total income of Rs. 510 crore, WTTIL incurred a net loss of Rs.226 crore in FY09. As per the provisional results for FY10, WTTIL-OTIL achieved total revenue of Rs.1,688 cr with PBILD of Rs.868 cr.

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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.

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