



July 21, 2017

BSE Limited
Listing Department
P. J. Towers,
Dalal Street, Fort
Mumbai – 400 001

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, Plot No. C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Scrip Code: 532371

Scrip Symbol: TTML

Dear Sir / Madam,

Re.: Intimation of Revision in Ratings

In terms of Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that ICRA Limited ("ICRA") has reaffirmed its long term ratings on the following bank facilities of the Company as [ICRA]A- (pronounced as ICRA A minus) and has revised the outlook to Stable from Negative:

Instrument	Amount (Rs. in Crores)	Rating Action
Term Loans	359 [^]	Revised to [ICRA]A- (Stable)
Fund-based/Non-Fund based limits	465	Revised to [ICRA]A- (Stable)
Unallocated Limits	188	Revised to [ICRA]A- (Stable)

[^]amount outstanding as on June 30, 2017 stands at Rs. 284 Crores.

The Rating Rational of ICRA dated July 20, 2017 for the revision in credit rating is enclosed.

This is for your information and records.

Thanking you,

Yours faithfully,
For Tata Teleservices (Maharashtra) Limited

Kiran Thacker
Company Secretary

Encl.: As stated above.

TATA TELESERVICES (MAHARASHTRA) LIMITED

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CIN: L64200MH1995PLC086354 Website www.tatateleservices.com

July 20, 2017

Tata Teleservices Maharashtra Limited

Summary of rated instruments

Instruments*	Amount Rated (Rs. crore [†])	Rating Action
Term Loans	359 [^]	[ICRA]A- reaffirmed, outlook revised to Stable from Negative
Fund-based/Non-Fund based limits	465	[ICRA]A- reaffirmed, outlook revised to Stable from Negative
Unallocated Limits	188	[ICRA]A- reaffirmed, outlook revised to Stable from Negative

*Instrument details are provided in Annexure-1

[^]amount outstanding as on June 30, 2017 stands at Rs. 284 crore

Rating action

ICRA has reaffirmed the long-term rating to [ICRA]A- (pronounced ICRA A minus) for the Rs. 359-crore term loans (amount outstanding as on June 30, 2017 stands at Rs. 284 crore), Rs. 465-crore long-term fund-based/non-fund based limits, and Rs. 188-crore unallocated facilities of Tata Teleservices (Maharashtra) Limited (TTML)¹. The outlook on the long term rating has been revised to Stable from Negative.

Rationale

The rating action factors in the anticipated support from the promoters Tata Sons Limited {Rated [ICRA]AAA(Stable)/A1+} by way of funds infusion of Rs. 14,000 crore in the Group {comprising TTML and its group company Tata Teleservices Limited (TTSL)}. Of this, approx Rs. 2,000 crore has already been infused in FY2017 and balance is expected to be infused in FY2018. The proposed funds will be used for repayment of existing debt of the telecom business (TTSL + TTML). The proposed debt reduction along with steady promoter support in terms of timely funds infusion would remain critical for the company.

The rating continues to be constrained by weak operational and financial performance of the company marked by significant y-o-y decline in revenues in FY2017 (9%) and corresponding decline in its profitability {operating margins (OPBDITA/OI) declined to 24.2% in FY2017 from 26.5% in FY2016, similar to the trends in the industry}. This is on account of increased competitive intensity in the industry post the launch of services by a new entrant. Further TTML's debt levels have increased in FY2017 with the addition of deferred spectrum liabilities, which coupled with the decline in profitability, has resulted in deterioration of debt coverage metrics. Moreover, given the insufficiency of cash flow generation to meet the scheduled repayment obligations, reliance on rollover/refinancing of maturing debt remains high for the company. This apart, the company remains vulnerable to foreign exchange fluctuation risk given that a sizeable proportion of debt is denominated in foreign currency.

[†] 100 lakh = 1 crore = 10 million

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Key rating drivers

Credit strengths

- Continuing support from Tata Sons Limited {Rated [ICRA]AAA(Stable)/A1+} by way of fund infusion to meet debt servicing obligations.
- Benefits arising from operational synergies given the association with TTSL
- Healthy proportion of revenue from wire-line segment which is growing steadily and has relatively high profitability

Credit weaknesses

- Decline in revenues and pressure on profitability amid heightened competitive intensity in the industry post launch of service by a new entrant.
- Persisting net losses and adverse capital structure with negative net-worth
- Significant increase in debt levels with addition of deferred spectrum liabilities
- Stretched liquidity profile with sizeable repayment obligations in the near term thereby necessitating funding support from promoters
- Exposure to adverse fluctuation in exchange rates as the repayment of ECB is to start from FY2020
- Modest market position – with revenue market share of 10.5% in Q4 FY2017 which along with capital intensive nature of the business has led to weak return indicators

Description of key rating drivers:

TTML is a telecom service provider with operations in two circles namely Mumbai and Rest of Maharashtra. In addition, it has a group company TTSL which provides telecom services in rest of the circles in the country. TTML has a total subscriber base of 8.7 mn as on March 31, 2017 with wireless subscriber market share of 6.0%. The company witnessed steady improvement in its revenue generation and profitability till FY2016, however in FY2017 revenues declined by 9% with corresponding decline in profitability. Further the increased interest and amortisation expenditure along with impairment of spectrum led to sizeable net losses in FY2017.

The Gross debt of the company has increased to Rs. 14,606 crore {excluding debt portion of redeemable preference shares (Rs. 1,730 crore), but including deferred spectrum liability and accrued Interest} as on March 31, 2017 from Rs. 12,047 crore as on March 31, 2016 with addition of debt for spectrum acquisition. This, along with weakening of profitability has led to deterioration of debt coverage indicators.

The proposed equity infusion to deleverage reflects promoters continued commitment to the business. Further, post the planned deleveraging, the company plans to get its balance debt refinanced which is expected to provide comfortable repayment profile easing the liquidity pressures in the near term.

Going forward, timely funding support from promoters would be critical for the company to meet its debt servicing obligations and the company's ability to improve its operating performance and get its debt repayment aligned to its cash flow position would be the key rating sensitivities.

Analytical approach:

For arriving at the ratings, ICRA has considered the standalone financial and operating profile of TTML along with applying the rating methodologies as mentioned below.

Links to applicable criteria

Corporate Credit Rating Methodology
Rating Methodology for Mobile Service Providers

About the company:

TTML is a telecommunication service provider licenced to provide telecommunication services in Mumbai Metro and Rest of Maharashtra (including Goa). TTML is an integrated player across technologies (CDMA, GSM and 3G (in Maharashtra service area)) products (voice, data and other enterprise services) and customer segments (retail, large corporate and small and medium enterprises). TTML is listed on BSE and NSE and has around 8.7 million subscribers (including wire-line) as on March 31, 2017.

Key Financials

	FY16	FY17
Operating Income (Rs. Crores)	2,972	2,703
PAT (Rs. Crores)	-358	-2,356
OPBDIT/ OI (%)	26.5%	24.2%
RoCE (%)	5.2%	-11.6%
Total Debt/ TNW (times)	-3.0	-2.8
Total Debt/ OPBDIT (times)	15.3	25.0
Interest coverage (times)	1.2	0.5
NWC/ OI (%)	-5.8%	-8.7%

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not applicable.

Rating History for last three years:
Table:

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & rating	Month - year & Rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015
1	Fund-based Limits (Term Loans)	Long term		July 2017	Nov 2016	March 2016	Dec 2014
			359*	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A(Negative)	[ICRA]A(Stable)
2	Fund-based/Non-fund Based limits	Long term	465	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A(Negative)	[ICRA]A(Stable)
3	Unallocated Limits	Long term	188	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A(Negative)	[ICRA]A(Stable)

* amount outstanding as on June 30, 2017 stands at Rs. 284 crore

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instruments Details

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Fund-based Term Loans	-	-	FY2019	359*	[ICRA]A-(Stable)
Fund-based/Non-fund Based limits	-	-	-	465	[ICRA]A-(Stable)
Unallocated Limits	-	-	-	188	[ICRA]A-(Stable)

Source: Tata Teleservices (Maharashtra) Limited

**amount outstanding as on June 30, 2017 stands at Rs. 284 crore*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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