TATA

April 3, 2017

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

Scrip Code: 532371

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 Symbol: TTML

Dear Sir / Madam,

Re.: Intimation of Revision in Ratings - Rationale

Please refer to our letter dated March 21, 2017 informing about the revision in Ratings on the bank facilities of the Company by Credit Analysis & Research Limited ("CARE").

In this connection, please find enclosed a copy of Press Release published by CARE giving rationale for revision in the Ratings.

This is for your information and records.

Thanking you,

Yours faithfully,
For Tata Teleservices (Maharashtra) Limited

KThacker

Kiran Thacker
Company Secretary

Encl.: As stated above.

Tata Teleservices(Maharashtra) Limited

March 27, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities-Term loan	5433.00 (Enhanced from 4,490.00)	CARE A - / Negative (Single A Minus Outlook: Negative)	Revised from CARE A (Single A)
Bank Facilities-Fund-based-LT-Cash Credit	140.00	CARE A - / Negative (Single A Minus Outlook: Negative)	Revised from CARE A (Single A)
Bank Facilities-Non-fund-based - ST-BG	1,005.00	CARE A2+ (A Two Plus)	Revised from CARE A1 (A one)
Bank Facilities-Fund-based - ST-Term loan	550.00 (reduced from 600.00)	CARE A2+ (A Two Plus)	Revised from CARE A1 (A one)
Bank Facilities- Proposed	98.00 (reduced from 991.00)	CARE A - / Negative / CARE A2+ (Single A Minus Outlook: Negative / A Two Plus)	Revised from CARE A (Single A) / CARE A1 (A one)
Total Facilities	**Rupees. 7226 crore (Rs. Seven thousand Two hundred Twenty Six crore only)**		

Details of instruments/facilities in Annexure-1

CARE has downgraded the ratings assigned to the bank facilities of Tata Teleservices (Maharashtra) Limited (TTML), on account of the continuing deterioration of its already weak financial risk profile as a result of continuing losses. The downgrade also factors in the significant weakening in the business risk profile of the company as a result of substantial increase in the competitive intensity in the sector and its impact on pricing power and profitability of the company.

The ratings continue to factor in the financial support derived by virtue of Tata Teleservices (Maharashtra) Limited (TTML), being part of the Tata group and its strategic importance as the group operates in domestic mobile communication segment through TTML along with associate company Tata Teleservices Ltd. (TTSL, rated CARE A-/CARE A2+). The ratings also factor in the benefits on account of operational synergies with TTSL (which is in the same line of business).

The rating strengths are, however, tempered by continued losses, high leverage position on account of significant debt funded capital expenditure and intense competition in the industry.

Ability of the company to stem losses and increase its market share in the face of intense competition, impact of developing regulatory framework on TTML and continued support from the Tata Group remain the key rating sensitivities.

Outlook: Negative

The outlook is 'Negative' on the expectation of deterioration in profitability in light of increased competition in the industry and expected deterioration in key financial parameters owing to continued losses. The outlook may be revised to 'Stable' if the entity is able to improve its key financial parameters as well as operational performance.

Detailed description of the key rating drivers

Continued financial support from the Tata Group

TTML was established in 1995, as Hughes Ispat Limited and was acquired by the Tata group in 2002. TTSL and TTML together marked foray of the Tata group into the telecom sector. The Tata Group has invested around Rs.6700 crore in its telecommunications business (which includes TTSL and TTML) since January, 2014, which reflects the group's long term

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

commitment towards the business. The Tata group holds 63.14% stake in TTML, of which TTSL holds 36.54% and TSL holds 19.58%.

Strong operational synergies and strategic relationship with TTSL which has a pan-India presence

TTML is closely aligned with TTSL and intends to further integrate its business operations and strategies with those of TTSL and certain other Tata group companies. TTML has developed a centralized procurement process with TTSL, which allows it to jointly negotiate with equipment suppliers and service providers and benefit from economies of scale. The company also shares some of its infrastructure with TTSL and has established certain common operational processes with them.

Favourable growth potential for mobile telephony in India

The Indian wireless market has reached global proportions and is the second largest wireless market in the world. With 1,059 mn subscriber base as on March 31st, 2016, the country's penetration stood at 83.36%. However, with VLR subscriber ratio of 89.38%, the real penetration stands at around 66%, reflecting significant growth potential for voice business going forward.

Key Rating Weaknesses

Sub-optimal operating performance leading to continued losses

The subscriber base of the company declined on account of reduction of non-active subscribers from 10.70 million as on March 31, 2016, to 11.12mn as on March 31, 2015, as a result of purging non active subscribers. However, the Visitor Location Register (VLR, an indicator of active subscribers) for TTML continues to be low when compared to the industry–VLR.

The company continues to report losses in the current year as well; the loss at Profit after tax (PAT) level for 9MFY17 (refers to 9 months from April 1st to December 31st) widened to Rs.991 crore as against a loss of Rs.337 crore in the corresponding period of last year. The company incurred a net loss of Rs.498 crore in FY16 (refers to period April 01 to March 31) as compared to a net loss of Rs.615 crore in FY15.

High leverage position

TTML, like any other telecom service provider, requires significant funding on an ongoing basis for expanding telecom infrastructure including roll out and expansion of its GSM and 3G services. Major portion of this cost is funded by way of debt. The company relies heavily on debt largely to fund working capital requirements and refinance short term loans resulting in a weak capital structure.
Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology: Factoring Linkages in Ratings
Rating Methodology :Mobile Service Providers

About the Company
TTML is engaged in providing fixed wireline, wireless and mobile services in Maharashtra and Goa through two Unified Access (Basic and Cellular) Services Licenses, one for Mumbai circle and another for Rest of Maharashtra (including Goa) circle, and provides telecommunication services using both Code Division Multiple Access (CDMA) technology and Global System for Mobile Communications (GSM) technology under the aforesaid licenses. TTML also holds the National Internet Service provider-Internet Telephony license. As on March 31, 2016, the Tata Group holds 63.14% stake in TTML while NTT Docomo INC holds 11.76%.

TTML incurred a net loss of Rs.498 crore on a total operating income of Rs.2,973 crore in FY16 (refers to period April 01 to March 31) as compared to a net loss of Rs.615 crore on a total operating income of Rs.2,893 crore in FY15. For 9 months ended 31st December 2016 the company reported a loss of Rs.991 crore as against a loss of Rs.337 crore in the corresponding period of last year.
Status of non-cooperation with previous CRA: Not applicable

Any other information:
Mr Vittaldas Leeladhar, Hon'ble Rating Committee Member is a Non-executive Director in Tata Global Beverages Ltd. (a Tata group company). To comply with the regulations the member did not to participate in the rating process and the rating committee meeting

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	5433.00	CARE A-; Negative
Fund-based - LT-Cash Credit	-	-	-	140.00	CARE A-; Negative
Non-fund-based - ST-Bank Guarantees	-	-	-	1005.00	CARE A2+
Fund-based/Non-fund-based-LT/ST	-	-	-	98.00	CARE A-; Negative / CARE A2+
Fund-based - ST-Term loan	-	-	-	550.00	CARE A2+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	5433.00	CARE A-; Negative	1)CARE A (01-Nov-16) 2)CARE A (04-Aug-16)	1)CARE A (14-Jul-15)	1)CARE A (24-Mar-15) 2)CARE A (16-Jul-14)	1)CARE A (30-Dec-13) 2)CARE A (25-Apr-13)
2.	Fund-based - LT-Cash	LT	140.00	CARE A-;	1)CARE A	1)CARE A	1)CARE A	1)CARE A

	Credit			Negative	(01-Nov-16) 2)CARE A (04-Aug-16)	(14-Jul-15)	(24-Mar-15) 2)CARE A (16-Jul-14)	(30-Dec-13) 2)CARE A (25-Apr-13)
3.	Non-fund-based - ST-Bank Guarantees	ST	1005.00	CARE A2+	1)CARE A1 (01-Nov-16) 2)CARE A1 (04-Aug-16)	1)CARE A1 (14-Jul-15)	1)CARE A1 (24-Mar-15) 2)CARE A1 (16-Jul-14)	1)CARE A1 (30-Dec-13) 2)CARE A1 (25-Apr-13)
4.	Fund-based-Short Term	-	-	-	-	-	-	-
5.	Fund-based/Non-fund-based-LT/ST	LT/ST	98.00	CARE A-; Negative / CARE A2+	1)CARE A (01-Nov-16) 2)CARE A (04-Aug-16)	1)CARE A (14-Jul-15)	1)CARE A (24-Mar-15) 2)CARE A (16-Jul-14)	1)CARE A (30-Dec-13) 2)CARE A (25-Apr-13)
6.	Fund-based - ST-Term loan	ST	550.00	CARE A2+	1)CARE A1 (01-Nov-16) 2)CARE A1 (04-Aug-16)	1)CARE A1 (14-Jul-15)	1)CARE A1 (24-Mar-15) 2)CARE A1 (16-Jul-14)	1)CARE A1 (30-Dec-13) 2)CARE A1 (25-Apr-13)

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