

November 04, 2019

Bharti Hexacom Limited: Rating of [ICRA]A1+ placed under watch with negative implications

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	1,000.00	1,000.00	[ICRA]A1+ @; placed under watch with negative implications

ICRA has taken a consolidated view of Bharti Hexacom Limited (BHL) with its parent Bharti Airtel Limited (BAL – rated [ICRA]AA (Stable)/[ICRA]A1+) and both are together referred to as Bharti. BAL holds 70% stake in BHL and balance 30% stake is held by Telecommunications Consultants India Limited (TCIL), a Government of India enterprise. BHL operates mobile and telemedia services in two important telecom circles (Rajasthan and North East, which contributed around 8% of BAL's AGR in FY2018) and derive operational and financial synergies with BAL.

Material Event

The honourable Supreme Court has come out with its judgement on October 24, 2019 on the definition for calculation of adjusted gross revenue (AGR) and has mandated the telecom operators to pay the license fee basis the revised AGR, along with interest and penalties on the same.

Impact of material event

ICRA has placed the ratings on rating watch with negative implications following the judgement by honourable Supreme Court pertaining to dispute regarding calculation of adjusted gross revenue (AGR). As per the judgment which was passed on October 24, 2019, the telcom service providers (telcos) are required to include other sources of revenues as part of the AGR (as stipulated in the New Telecom Policy 1999). The inclusion of these non-core revenues in AGR which the operators were not including while depositing the revenue share may result in increase in the total levies payable, which along with the interest and penalties on the past dues may result in sizeable payables for the telcos. However, the clarity on exact amount payable and the payment terms is still awaited. Nevertheless, any material liability on the company in this respect has the potential to impact the debt levels and could result in deterioration of debt protection metrics.

Pursuant to the SC ruling and subsequent requests by telecom operators for relief measures, the Government of India has appointed a Committee of Secretaries to analyse the current situation, the outcome of which will be a key monitorable.

ICRA will continue to monitor the developments with respect to the actual amounts and timing of payments to assess the impact on credit metrics of the company.

The previous detailed rating rationale is available on the following link: [Click here](#)

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
Sabyasachi@icraindia.com

Anupama Arora
+91-124-4545394
anupama@icraindia.com

Ankit Jain
+91-124-4545865
Ankit.jain@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar
+91 22 61143406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents