

January 30, 2018

Bharti Telecom Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Commercial Paper	7,000.00 (earlier Rs. 5,500.00 crore)	[ICRA]A1+; Assigned/Outstanding

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus)[†] for Rs. 1,500.00-crore commercial paper programme of Bharti Telecom Limited (BTL). ICRA also has an outstanding rating of [ICRA]A1+ (pronounced ICRA A one plus) for Rs. 5,500.00-crore commercial paper programme of BTL.

Rationale

The rating continues to take into consideration BTL's status as the holding company of Bharti Airtel Limited (BAL - rated [ICRA]AA+(Stable)/[ICRA]A1+ and the principal operating company), which is a telecom major and the market leader in the Indian telecommunications industry with strong credit risk profile. The company enjoys strong financial flexibility on account of its 50.1% stake in BAL (increased from 45.48% as on November 2, 2017), the market value of which stood at around Rs. 99,600 crore (as on January 19, 2018), giving a strong cover against the quantum of the rated programme. In addition, the rating derives comfort from BTL's strong and reputed promoters – Bharti Group and Singapore Telecommunications Limited (SingTel – rated A1 by Moody's) – with the entire shareholding being unencumbered. Recently, BTL raised debt of around Rs. 9,200 crore (including debt from Group companies) to acquire 4.62% stake in BAL. The enhanced CP is proposed to be used to refinance part of existing borrowings and total debt is not expected to be increased from the current level. Further, it is expected to maintain healthy cover (market value of BAL shareholding to total debt) going forward. Nevertheless, the financial flexibility of the company remains exposed to fluctuations in the market price of BAL's shares. Also, the servicing of the rated debt would rely on timely refinancing of debt, dividend receipts from BAL, or fund infusion by promoters. However, BTL's strong access to financial markets is an alleviating factor.

Key rating drivers

Credit strengths

- **Strong parentage** – The company has strong and reputed promoters, namely the Bharti Group (Mr. Sunil Mittal family) that holds 51.70% stake and the SingTel Group that holds 47.18% stake in it.
- **Principal holding company of BAL** – BTL holds 50.1% stake in BAL, which is the largest telecom service provider in India and has strong cash flow generation. The market value of the investment stood at around Rs. 99,600 crore (as on January 19, 2018), which is significant in relation to the rated debt. BTL is expected to maintain healthy cover going forward as well.

[†] For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications.

Credit challenges

- **Vulnerability to market risks** – BTL's financial flexibility, in terms of its cover, will depend on BAL's share price movement. Any sharp decline in BAL's share price will be a rating sensitivity.
- **Dependence on investee company** – BTL derives income from its investments, primarily dividend income from BAL. Thus, the cash flows of the company are dependent on BAL's performance and the resultant dividend. Further, servicing of the rated debt would rely on timely refinancing of debt, dividend receipts from BAL, or funds infusion by promoters.

Analytical approach

For arriving at the rating, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria

[Corporate Credit Rating Methodology](#)

About the company

BTL is part of the Bharti Enterprises group which has been promoted by Mr. Sunil Bharti Mittal in 1976. BTL has primarily investments in BAL. BTL does not have any operations of its own and derives its income from dividend received from BAL and income from its other investments primarily liquid mutual funds.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	464	370
PAT (Rs. crore)	437	326
OPBDIT/ OI (%)	99.9%	99.8%
RoCE (%)	11.4%	6.5%
Total Debt/ TNW (times)	0.00	0.00
Total Debt/ OPBDIT (times)	0.00	0.00
Interest Coverage (times)	-	-
NWC/ OI (%)	-	-

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 (FY2018)					Chronology of Rating History for the past 3 years		
		Type	Rated Amount (Rs. crore)	Date & Rating	Date & Rating	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				January 2018	December 2017*	October 2017*	-	-	-
1	Commercial Paper	Short-term	7,000	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-

** Earlier the amount of CP rated was lower*

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
Instrument Details

Instrument	Date of Issuance/Sanction	Coupon rate	Maturity	Amount Rated (Rs. crore)	Current Rating
Commercial paper	-	-	7-365 days	7,000	[ICRA]A1+

Source: BTL

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