

Rating Report

Brickwork Ratings reaffirms 'BWR B+' for the Bank Loan Facilities of Aggarwal Rice & General Mill (ARGM) enhanced from ₹13.70 Cr to ₹ 18.96 Cr.

Brickwork Ratings (BWR) has reaffirmed the following **Ratings**¹ for the Bank Loan Facilities of ₹ 18.96 Cr enhanced from ₹ 13.70 Cr of Aggarwal Rice & General Mill (ARGM or the 'firm') :

Facility	Present Limits (₹ Cr)	Previous Limits (₹ Cr)	Tenure	Ratings	Rating History
Fund Based:					
Cash Credit	18.00	12.30	Long Term	Reaffirmed at BWR B+ (Pronounced BWR Single B Plus) (Outlook : Stable)	BWR B+ (Pronounced BWR Single B plus) Outlook – Stable November 2013
Term Loan I	0.13	0.57			
Term Loan II	0.83	0.83			
Total	18.96	13.70	INR Eighteen Crores and Ninety Six Lakhs only		

BWR has principally relied upon the audited financial results up to FY14, provisional financial results for H1 FY15, projected financials up to FY16 of the company, publicly available information and information/clarifications provided by the company.

The rating positively factors in the strong parentage with majority stake held by Quadrangle Group LLC (Quadrangle), demonstrated and continuous financial support to the company by Quadrangle especially following the force majeure situation the company faced after the Feb'2012 Supreme Court Ruling regarding 2G cancellation, established operational track record of the company, consistent improvement in the operational & financial performance, positive developments in the industry viz. reduction in regulatory uncertainty, moderation in

¹ Please refer to www.brickworkratings.com for definition of the Ratings

competitive intensity and positive demand prospects for the industry with expected increase in the demand for towers. The rating also draws comfort from the reduction in debt burden falling due in the short to medium term following implementation of the refinanced Rupee Term Loan agreement reached with the consortium of banks during the year 2014 (“2014 RTLA”). The rating is constrained by the below average financial profile of TVIPL characterized by weak profitability and return indicators, leveraged capital structure and high working capital intensity. The capitalization ratios of the company have been adversely impacted by erosion of net worth due to continuous losses (mainly due to depreciation) being incurred by the company. Post implementation of the “2014 RTLA”, the debt repayments of the company have commenced from September 2014. Further, the intense competition in the industry places pressure on the tower rentals thereby impacting revenues and profitability.

Background

Tower Vision India Pvt Ltd (TVIPL) was incorporated in January 2006 at New Delhi. The New York based Quadrangle Group LLC, an established private investment firm, is indirectly the major shareholder (through the holding company Tower Vision Mauritius Ltd). TVIPL is a Category I Infrastructure Provider (IP-I) registered with the Department of Telecommunications, Government of India. As a tower management company, it specializes in the provision of passive infrastructure to the wireless telecommunications industry, which is then shared among multiple operators. The company has expertise in roll out, operation and maintenance of Telecom infrastructure. It also provides plug and play solutions to wireless service providers and other businesses operating communication services. The company engages in the ownership, management and operation of wireless communication towers of all types and at pan-India locations. TVIPL sets up both Ground Based Towers (GBT) and Roof Top Towers (RTT) on Build, Own and Operate (BOO) basis for its clients.

Operations:

The company is the 8th largest telecom infrastructure provider in India with a portfolio of 8400 towers comprising as on 31st Dec 2014 of 5266 GBTs and 3134 RTTs located across 19 states. The company reported a tenancy ratio of 1.54 times as on March 31, 2014 and 1.68 times as on Dec 31, 2014. Despite tough market conditions and unstable financial situation, since the Supreme court ruling in Feb 2012, in which the Company lost approx. 1,500 tenancies and was left with approx. 700 vacant sites, the Company has managed to add additional approx. 2,100 tenancies. The tenancies are expected to continue growing at a pace of 100 plus tenancies per month. The company is currently operational in 19 circles with key clients comprising of Aircel, Airtel, BSNL, Idea, Reliance Communications, Reliance Jio, Tata Teleservices and Vodafone.

Business Model:

The passive infrastructure sites are provisioned for mobile and other wireless operators on a shared basis and the operators pay monthly infrastructure provisioning fees (IPF) and other

reimbursable expenses (e.g. power and fuel cost) for providing the passive infrastructure and operation and maintenance (O&M) services.

A tower company incurs an upfront cost while setting up a telecom tower in the form of:

- Local bodies' clearance cost
- Site setup (includes shelter, cabin and boundary wall construction cost)
- Electrical equipment like generator, AC, alternator, rectifiers, etc
- Tower erection cost
- EB Connection Cost

Once the asset is built and rented out, it produces steady annuity like stable cash flows due to long term nature of contracts signed with carriers and high switching costs. Operating costs are generally fixed and most variable costs are passed on fully to tower occupants (power costs in entirety and other operating costs depends on Master Service Agreement ("MSA")). Overall profit growth is driven by new tenants, leading to better cost sharing and higher operating leverage. The tower industry is capital intensive and its profitability is directly related to the tenancy ratio (average number of tenants per tower) as it leads to significant addition to revenue at a relatively low incremental cost.

Board of Directors:

The Board of the company includes Mr. Michael Huber, Mr. Moshe Shushan, Mr. Amit Ganani, Mr. Yuval Sipper, Mr. Steven G. Felsher, Mr. Doni Perl and Mr. Sampath Kumar. All the promoters are well qualified and experienced in the telecommunications sector and are also assisted by a team of well qualified professionals.

Financial Highlights:

The company was earlier following the Calendar Year (CY-January-December) for financial reporting. It has changed the same to financial year (April-March) from FY14.

The company reported Net Revenue of Rs. 477.40 Cr for FY14 (15 months period Jan'13 to Mar'14) as compared to Rs. 387 Cr in CY12. EBITDA Margin increased from 32.69% in CY12 to 43.86% in FY14 and Net Losses changed from Rs. 236.30 Cr in CY12 to Rs. 255.70 Cr in FY14 (15 months period Jan'13 to Mar'14). Tangible Net Worth of the company has eroded on account of high accumulated losses. The company reported a negative net worth of Rs. 210.10 Cr as on March 31, 2014. Quadrangle Group has infused additional equity of Rs. 105 Cr during FY14-15 and an additional amount of Rs. 50 Cr is expected to be infused by 3rd Quarter of 2015.

The liquidity position of the company is weak with a current ratio of 0.63 times as on March 31, 2014 primarily due to elongated receivables position. The company reported Days Receivables of 78 days as on March 31, 2014. However the company's balance sheet and liquidity position have strengthened following completion of "2014 RTLA".

As per the provisional financials for H1 FY15, the company reported Net Revenue of Rs. 222.80 Cr with an EBITDA Margin of 55.25%.

Key Financial Highlights are given in the Annexures.

Key Rating Determinants:

Reduction in Debt Burden: Post the implementation of the RTLA, the company's overall debt burden has reduced. As per the terms of RTLA, the interest rate has been fixed at 11.50% for the first three years and the repayment period has been increased to 15 years. This reduction in the debt burden will improve the liquidity position and financial flexibility of the company in the short to medium term.

Financial Support from the Parent: The Quadrangle Group has been providing the necessary financial support to the company post the cancellation of the 2G rights by Supreme Court. Quadrangle also infused additional equity of Rs. 105 Cr during FY15 and another Rs. 50 Cr is expected to be infused in FY16.

Erosion of Net Worth: The Net Worth of the company has been fully eroded on account of high accumulated losses. The company reported a negative Tangible Net Worth of Rs. 210.10 Cr as on March 31, 2014 due to high accumulated losses of Rs. 950.40 Cr. The company is expected to net profits from FY17.

Leveraged Capital Structure: Due to erosion of net worth of the company, the Overall Gearing of the company has increased substantially. The company's Total Debt as on March 31, 2014 was Rs. 1236.10 Cr with a negative net worth of Rs. 210.10 Cr.

Rating Outlook

The outlook is expected to be stable over the current year. Going ahead, the ability of ARGM to increase its scale of operations, manage raw material prices fluctuations, strengthen its capital structure, improve its financial risk profile and manage its working capital efficiently shall be the key rating sensitivities.

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Tower Vision India Pvt Ltd
Annexure I – Details of Bank Facilities Rated

Bank	FBWC	TL –O/s (as on Dec 31, 2014)	Total
Axis Bank (Lead Bank)	16.00	549.23	565.23
PNB	8.30	243.43	251.73
UCO Bank	-	75.88	75.88
Dena Bank	-	75.88	75.88
Saraswat Bank	1.37	39.94	41.31
L&T Infra	-	183.66	183.66
Total	25.67	1168.02	1193.69

Tower Vision India Pvt Ltd
Annexure II – Profit & Loss Account Summary

P&L Account (Rs. Crores)	CY11 (A)	CY12 (A)	FY14 (A)
Total Operating Income	302.90	387.00	477.40
Operating Expenses	207.70	260.50	268.00
OPBDIT	95.20	126.50	209.40
Depreciation/Amortization/Impairment	155.20	193.50	235.10
Interest and Finance Charges	143.60	187.40	241.70
Non-Operating Income(Expenses)	22.30	18.10	11.70
PBT	-181.30	-236.30	-255.70
PAT	-181.30	-236.30	-255.70

Tower Vision India Pvt Ltd
Annexure III – Balance Sheet Details

LIABILITIES (Rs. Crores)	CY11 (A)	CY12 (A)	FY14 (A)
EQUITY AND RESERVES	279.80	54.90	-200.70
Share capital	730.20	730.20	741.30
Share Application money Pending allotment	0.00	11.00	0.00
Reserves and Surplus	-450.40	-686.30	-942.00
Non-current liabilities	1156.70	1261.50	1135.90
Long-Term Borrowings	1094.00	1177.70	1028.10
Other Long Term liabilities	51.50	73.10	97.60
Long-Term Provisions	11.20	10.70	10.20
Current liabilities	403.50	344.70	392.20
Short-Term Borrowings	0.00	0.00	35.00
Current Portion Of Long Term Debt	83.30	90.90	173.00
Trade Payables	54.40	68.70	87.00
Other Current Liabilities	258.10	169.60	93.40
Short-Term Provisions	7.70	15.50	3.80
Total Liabilities	1840.00	1661.10	1327.40
ASSETS			
Non-current assets	1360.50	1305.30	1080.90
Net Fixed assets	1197.00	1153.50	934.70
Capital Work-In-Progress	26.70	11.60	0.50
Net Intangible assets	15.40	12.80	9.40
Long Term Loans and Advances	100.80	111.70	133.30
Other Non-Current Assets	20.60	15.70	3.00
Current assets	479.50	355.80	246.60
Trade Receivables > Six Months	5.80	52.70	14.60
Trade Receivables < Six Months	81.20	109.70	77.40
Cash and Cash Equivalents	288.30	97.80	46.30
Short-Term Loans and Advances	44.40	34.70	56.90
Other Current Assets	59.80	60.90	51.40
Total Assets	1840.00	1661.10	1327.50

Tower Vision India Pvt Ltd
Annexure IV – Key Financial Ratios

Key Ratios	Unit	CY11 (A)	CY12 (A)	FY14 (A)
Total Debt	Crores	1177.30	1268.60	1236.10
Tangible Net Worth	Crores	264.40	42.10	-210.10
Total Debt/TNW	Times	4.45	30.13	-5.88
Long Term Debt/TNW	Times	4.14	27.97	-4.89
TOL/TNW	Times	5.90	38.15	-7.27
ISCR	Times	0.66	0.68	0.87
DSCR	Times	0.82	0.53	0.62
Net Cash Accruals/Total Debt	Times	-0.02	-0.03	-0.01
Net Cash Accruals/Long Term Debt	Times	-0.02	-0.04	-0.02
Net Profit Margin	%	-59.85	-61.06	-53.56
Operating Profit Margin	%	31.43	32.69	43.86
ROCE	%	-4.16	-4.87	-1.76
Current Ratio	Times	1.19	1.03	0.63
Days Receivables	Days	105	118	78
Net Cash Flow from Operating Activities (as reported)	Crores	98.20	90.90	329.70
Net Cash flow from Investing Activities (as reported)	Crores	-341.80	-221.50	-75.50
Net Cash Flow from Financing Activities (as reported)	Crores	300.70	-81.00	-257.20