

Ref No: GIL/SGX/2017-18/131

Date: January 4, 2018

Singapore Exchange Securities Trading Limited
2 Shenton Way
19-00 SGX Centre 1
Singapore 068804

Dear Sir,

Re: Update regarding GTL Infrastructure Limited's (and erstwhile Chennai Network Infrastructure Limited's) business

This is further to the various disclosures made by GTL Infrastructure Limited ("Company") with regard to the captioned subject.

I. MILESTONES AND INITIATIVES

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|--|---|
| <u>SDR</u> | <ul style="list-style-type: none"> ▪ Initiated on September 20, 2016 ▪ Debt conversion completed on April 13, 2017 ▪ Secured debt reduced to Rs. 4,193 crores |
| <u>FCCB</u> | <ul style="list-style-type: none"> ▪ The outstanding optionally convertible FCCBs restructured. ▪ Debt component of Rs. 1442 Crores reduced to Rs. 560 Crores (USD 86 million) |
| <u>Merger with CNIL</u> | <ul style="list-style-type: none"> ▪ Merger with Chennai Network Infrastructure Limited ("CNIL") completed ▪ Merger Effective Date, i.e. date of filing of Scheme with ROC - December 22, 2017 |
| <u>Performance Snapshot (Post CDR of 2011)</u> | <ul style="list-style-type: none"> ▪ Tenancy grew from 41,702 to 50,845 with a tenancy ratio of 2x ▪ Revenue grew from Rs. 1,008 Crores to Rs. 2,286 Crores at a CAGR of around 15% ▪ EBITDA grew from Rs. 582 Crores to Rs. 1,122 Crores at a CAGR of around 13% ▪ Interest coverage ratio of more than 2x ▪ Net Debt / Normalized EBITDA of less than 4x |

II. RECENT EVENTS AND IMPACT ANALYSIS

In the second half of the current financial year, the telecom sector has recently yet again faced significant headwinds, on account of the following:

- Entry of new participants with aggressive pricing options
- Decision on the Interconnection Usage Charges
- Increasingly unsustainable debt levels of telecom operators



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- Ongoing consolidation resulting in (i) Vodafone - Idea merger, (ii) Airtel - Tata Teleservices merger, (iii) Airtel - Telenor merger
- Adverse consequences on account of withdrawal of Aircel - Reliance Communications merger

The impact of the above factors on the business operations of the Company is summarized as under:

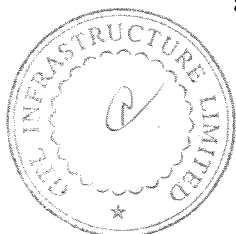
- Total tenancy base as on March 31, 2017 was 50,845. This was initially projected to reach 56,000 by March 31, 2018
- With respect to the ongoing mergers of (i) Airtel and Telenor; and (ii) Idea and Vodafone, there are a total of **2,589** tenancies **currently out of lock in**. It may be noted that the despite the expiry of the lock in these sites have been continuing for an average of more than 2 years and in addition the Company is in active negotiations with the operators for relocation of certain overlapping tenancies. Nevertheless, this would represent the worse-case scenario impact of this ongoing consolidation based on the existing contractual provisions.
- The second half of the current fiscal also saw the following significant events which were entirely beyond management control - (i) Tata Teleservices did not transfer its contracted tenancy obligations to Airtel as part of the merger and has consequently issued exit notices for its tenancies; and (ii) Reliance Communications (including Sistema which was merged with Reliance Communications) have announced and are presently implementing a shutdown of their wireless business. The impact of the foregoing in terms of tenancies is as follows:

Operator	Loss in Tenancies
Tata Teleservices	2,230
Reliance Communications	1,327
Sistema	430
Total	3,987

- In so far as Aircel is concerned, post the withdrawal of its proposed merger with Reliance Communications, there have been several speculative reports regarding Aircel right sizing its operations. On January 2, 2018, the Company received a notice from Aircel indicating that it had surrendered its licenses in 6 circles resulting in a loss of 1,994 tenancies for the Company. Market rumours and discussions at the operational level indicate that further down-sizing is on the cards and basis the same the worse-case scenario for the Company is as under:

Aircel	Loss in Tenancies
Notice Received	1,994
Management Estimate	6,606
Total	8,600

- As of September 30, 2017, the Company had reported a total tenancy base of 51,424. This number had already accounted for loss of all of the tenancies of Reliance Communications and a substantial portion of tenancies of Tata Teleservices. **The Company expects a further impact of 9,000 to 11,000 on account of the consolidation e.g. Vodafone-Idea and Aircel issues over the next 12 to 18 months. However, with the estimated**



addition of 10,000 tenancies during the similar period, we believe this impact could be offset.

III. COUNTER MEASURES

Be that as it may, the following counter measures may be noted:

- As on date, the Company has outstandings overdue of around **INR 350 crores** from various operators for services already provided (with Aircel owing the maximum amount of INR 230 crores). This excludes claims for taxes, property taxes and other statutory dues from them.
- The Company has strong contractual arrangements with their customers, with long term lock-in arrangements and compensation clauses (**over 93% of Aircel tenancies are locked in upto 2025**). The Company expects to fully enforce the average non-cancellable remaining contract terms on the tenancies.
- The Company will be pursuing all possible legal avenues, civil and criminal, to recover its rightful dues from the concerned operators, all of which will be used to repay the Company's debt. Based on the exit notices received thus far, the Company has already estimated claims of over INR 2,000 crores which on receipt can be utilized to reduce debt.
- In addition to the above, the Company has already embarked on a significant cost optimisation exercise which will minimize the adverse impact on the above mentioned tenancy losses. The Company has already reduced costs by **INR 10 crores a month** and expected to reduce **upto INR 25 crores a month** in relation to the discontinued tenancies by June 2018.

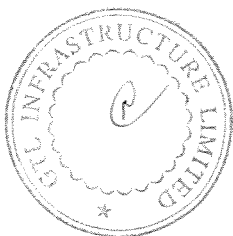
IV. FUTURE PROSPECTS

The Company believes it will benefit in the medium to long term, on account of the following:

- Post consolidation, remaining operators will need to aggressively expand and upgrade their networks to account for increased subscribers and continued demand for data services¹⁻². **The Company has already on track to add close to 5,000 tenancies in the current fiscal and expects to add another 5,000 tenancies during April 2018 to March 2019.** Needless to say this estimate is contingent on no adverse external factors impacting the telecom sector.

¹ Report by Morgan Stanley dated October 1, 2017 titled "India Telecoms" states that "towers are fundamental to data growth, and we believe that waning operator influence on these companies could lead to an independent tower industry model"

² Report by India Ratings & Research dated September 2017 titled "Telecom Connect" states that "revenues of tower companies will be protected in the short to medium term with tenancy additions from 4G expansions likely to offset tenancy losses emanating from the merger of Vodafone and Idea, Reliance Communications Limited with Aircel Limited and Telenor India Communications Private Limited's acquisition by Bharti. Rjio has a target to set up 200,000 cell sites by mid-2018 from current 120,000 cell sites at present. The likely proliferation of the low cost 4G feature phones is also likely to drive the data demand."



- The Company is actively pursuing a refinancing plan. Subject to receipt of necessary clearances, can reduce the annual debt servicing by Rs. 150 crores.

V. CONCLUSION

The net impact of the above issues, steps taken by the Company and growth expected over the current and next fiscal can be summarised as under:

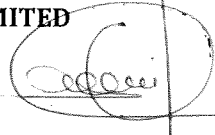
Existing Tenancies:	FY16-17 - 50,845
Initial Tenancies Estimate:	FY18E - 56,000
Tenancy Impact 12-18 months (Worst-Case Scenario):	9,000 - 11,000
New Additional Tenancies:	FY18E - 5,000 & FY19E - 5,000
Revised Tenancies Estimate:	FY18E - 47,000 & FY19E - 52,000
Cost Reduction:	INR 120 - 300 crores annually
Estimated Claim & Outstandings Recovery:	Over INR 2,000 crores

It may be worthwhile noting that the Company has faced more difficult situations in the past at the time of the 2G scam and cancellation of 122 licenses. However, it had managed to survive and grow then and believes that it will do so in the present circumstances as well.

Yours sincerely,

For **GTL INFRASTRUCTURE LIMITED**


Nitesh A. Mhatre
Company Secretary


Milind K. Naik
Whole-time Director

