CRISIL Ratings

Rating Rationale

January 16, 2024 | Mumbai

Data Infrastructure Trust

Long-term rating placed on 'Watch Developing'; short-term rating reaffirmed

Rating Action

Rs.1100 Crore Non Convertible Debentures	**CRISIL AAA/Watch Developing (Placed on 'Rating Watch with Developing Implications')**
Corporate Credit Rating	**CRISIL AAA/Watch Developing (Placed on 'Rating Watch with Developing Implications')**
Rs.1000 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has placed its rating on the non-convertible debentures and corporate credit rating of Data Infrastructure Trust (DIT) on **'Rating Watch with Developing Implications'** and reaffirmed its short-term rating on the commercial paper programme at 'CRISIL A1+'.

DIT is an infrastructure investment trust (InvIT) sponsored by BIF IV Jarvis India Pte Ltd (BIF IV or sponsor) with BIP India Infra Projects Management Services Pvt Ltd (BIP India Infra) as its investment manager and Axis Trustee Services Ltd as the trustee.

The rating action follows the plan of DIT to acquire 100% interest in American Tower Corporation's Indian tower business entity, ATC Telecom Infrastructure Pvt Ltd (ATC India). This proposed acquisition by DIT will be its third in telecom infrastructure, followed by Summit Digitel Infrastructure Ltd (SDIL; rated CRISIL AAA/Stable) and Crest Digitel Pvt Ltd (Crest).

ATC India will be acquired by DIT as a separate special-purpose vehicle (SPV) and will be insulated from its two other SPVs, Crest and SDIL, in terms of debt servicing. The deal is expected to be closed at an enterprise valuation of around Rs 16,500 crores (~USD 2 billion) which is subject to increase and pre-closing terms. Management has articulated that funding of this acquisition will be a mix of debt and equity, though capital structure for the same is yet to be finalised.

As per information available in public domain, ATC India's exposure towards Vodafone India Limited and BSNL was around 45% during fiscal 2023. However, ATC has a comfortable tenancy ratio of around 1.5x and a portfolio of ~78,000 towers as on March 31, 2023.

CRISIL Ratings will continue to monitor the developments in this regard and will analyse the combined business and financial risk profiles, and resolve the watch once the contours of the transaction are finalised. That said, DIT will continue to meet debt obligation on all the rated instruments.

The ratings continue to factor in the strong credit profile of the underlying assets of DIT, which are into telecom infrastructure. SDIL, which is the principal investment for DIT, has strategic importance to RJIL and strong business linkages with it. The ratings also factor in strong financial risk profile with comfortable debt service coverage ratio (DSCR) of the underlying assets. These strengths are partially offset by susceptibility to revenue and counterparty risks related to external tenants for underlying assets.

The ratings also factor in the second investment made by DIT in fiscal 2022 for acquisition of Crest (erstwhile, Space Teleinfra Pvt Ltd), and continues to draw comfort from its consolidated debt to assets under management of ~46% as on September 30, 2023.

DIT is acting as an investment vehicle for the Brookfield group holding underlying assets pertaining to telecom infrastructure. Being the flagship InvIT for the group in data and telecom related infrastructure, the trust may evaluate opportunities to expand the asset base of the InvIT in the future. CRISIL Ratings will continue to monitor such transactions, and their impact on the business and financial risk profiles of DIT will remain a key rating sensitivity factor.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of DIT with its underlying SPVs, SDIL and Crest. This is because the trust is expected to have direct control over these SPVs, which have to mandatorily dispense 90% of their net distributable cash flow (after meeting debt obligation for senior external debt) to the trust, leading to highly fungible cash flow. Also, as per extant regulations, the cap on borrowing of an InvIT has been defined at a consolidated level (equivalent to 70% of the value of the InvIT assets).

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation..

Key Rating Drivers & Detailed Description

Strengths:

- **Strong credit profiles of underlying assets driven by healthy cash flow visibility and limited downside risks to profitability:** The credit profile of the trust is being driven by the strong credit profiles of the underlying assets. SDIL, being the key asset (accounting for ~97% assets of DIT), has a strong business risk profile, as reflected in RJIL being the anchor tenant for all its towers, which comprise a substantial share of the total tenancies. Moreover, RJIL has healthy economic incentive from third-party tenancies, which enhances the strategic importance of the SPV. Furthermore, the operations and maintenance (O&M) and project execution partner (Reliance Projects and Property Management Services Ltd, which has now merged with Reliance Industries Ltd) is a Reliance group entity, underscoring the business linkages.

  The business risk profile of SDIL is further supported by a long-term 30-year master services agreement (MSA) with RJIL, which ensures stable revenue for SDIL, with upside to revenue coming from contracting third-party tenancies. SDIL has also entered into a contract with third-party tenants for providing tower infrastructure to the latter's networks and is adding tenancies, which will also aid cash flow. Moreover, fixed tower-usage fees and O&M costs and pass-through of any increase in site rentals to tenants (including RJIL) protect profitability. Additionally, project execution risks are borne by the contractor and towers are transferred to the company only after completion at a fixed price.

  Crest has inherent business strengths of high client stickiness given MSAs of 5-7 years with telcos, which provide revenue visibility and allow exit penalties, annual rental escalation, steady upfront deposits and timely payments from tenants.

- **Comfortable financial risk profile:** Financial risk profile is supported by stable cash accrual and comfortable DSCR for external debt, based on revenue from just the anchor tenant for SDIL. The financial risk profile of Crest is also supported by limited debt translating into a strong capital structure and healthy debt coverage metrics.

Weakness:

- **Susceptibility to revenue and counterparty risks related to external tenants for underlying assets:** Limited players in the Indian telecom industry may constrain the third-party tenancies of SDIL. Moreover, the telecom sector is susceptible to technological changes and competition, which may impact cash accrual and leverage ratio of telecom companies. Thus, counterparty risks related to external tenants persist. Nevertheless, DIT has a strong DSCR for its external debt based on revenue from just the anchor tenant.

Liquidity: Superior

Stable cash flow with minimum downside risks will comfortably cover debt obligation, leading to healthy DSCR at consolidated level. CRISIL Ratings expects the trust to have consolidated operating cash accrual of Rs 4,700-5,000 crore in fiscal 2024. This, along with cash and equivalent of ~Rs 990 crore (as on December 31, 2023) should suffice SDIL and Crest's debt obligations of ~Rs 4,400 crore and ~Rs 30 crore, respectively, in fiscal 2024. Moreover, high quality and long life of the assets beyond the tenure of the debt should help SDIL refinance timely at competitive rates, as demonstrated over the last few quarters.

Rating Sensitivity Factors

Downward factors

- Downgrade in the rating of SDIL by 1 or more notches
- Increase in leverage leading to significant and sustained weakening of average DSCR for the tenure of debt

About the Trust

DIT (formerly, Tower Infrastructure Trust) was incorporated by Reliance Industrial Investments and Holdings Ltd (RIIHL; a wholly owned subsidiary of RIL) on January 31, 2019, as a trust under the provisions of the Indian Trusts Act, 1882. The trust was registered as an InvIT with the Securities and Exchange Board of India (SEBI) on March 19, 2019. In August 2020, upon receipt of approval from the Department of Telecommunications, BIF IV Jarvis India Pte Ltd became the sponsor to the InvIT by subscribing to 89.79% of its units. After this, the InvIT acquired 100% equity stake in SDIL. The units of the InvIT got listed on the Bombay Stock Exchange with effect from September 2020. In October 2021, the name of the trust was changed from Tower Infrastructure Trust to DIT. The trustee is Axis Trustee Services Ltd. BIP India Infra is the investment manager of the trust. SDIL is its first investment and is engaged in the business of operating and managing the tower assets that have been transferred to it from RJIL. In March 2022, Data InvIT acquired Crest, a leading indoor coverage solutions provider in India, for a consideration of around Rs 900 crore. This was funded by way of issuance of additional units on a rights basis and preferential basis.

About Summit Digitel Infrastructure Ltd

SDIL is an SPV formed by the transfer of tower assets and a portion of liabilities by RJIL. In December 2019, RIIHL entered into a binding agreement with Brookfield Asset Management Inc (Brookfield) for investment of Rs 25,215 crore by the latter in the units issued by DIT, after which DIT holds 100% stake in SDIL.

About Crest Digitel Infrastructure Ltd

Crest, incorporated in April 2016, is a neutral host provider (IP-1), deploying digital indoor solutions by providing 2G/3G/4G network through a common shared infrastructure. The company owns and operates shared in-building communications infrastructure, which is used by wireless carriers, broadcasters and other communications companies to provide services to end users. The company offers solutions, including those to suit in-building solution, outdoor small cells solution, among other services.

Key financial indicators (Consolidated)

As on/for the period ended March 31	Unit	2023	2022
Revenue	Rs.Crore	11,100	9,786
Profit After Tax (PAT)	Rs.Crore	797	547
PAT Margin	%	7.2	5.6
Adjusted debt/adjusted networth	Times	-	-
Interest coverage	Times	2.16	2.16

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue Size (Rs.Crore)	Complexity level	Rating assigned
INE0BWS14017	Commercial paper	6-Sep-23	7.95%	5-Sep-24	950	Simple	CRISIL A1+
NA	Non-convertible debentures#	NA	NA	NA	780	Simple	CRISIL AAA/Watch Developing
INE0BWS08019	Non-convertible debentures	8-Jan-24	8.40%	18-Dec-26	320	Simple	CRISIL AAA/Watch Developing
NA	Commercial paper#	NA	NA	7 to 365 Days	50	Simple	CRISIL A1+

#Yet to be placed

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Summit Digitel Infrastructure Ltd	Full	SPV
Crest Digitel Infrastructure Ltd	Full	SPV

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Corporate Credit Rating	LT	0.0	CRISIL AAA/Watch Developing		--	30-11-23	CRISIL AAA/Stable		--		--	--
			--		--	30-08-23	CRISIL AAA/Stable		--		--	--
			--		--	06-06-23	CRISIL AAA/Stable		--		--	--
Commercial Paper	ST	1000.0	CRISIL A1+		--	30-11-23	CRISIL A1+		--		--	--
			--		--	30-08-23	CRISIL A1+		--		--	--
Non Convertible Debentures	LT	1100.0	CRISIL AAA/Watch Developing		--	30-11-23	CRISIL AAA/Stable		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs rating criteria for REITs and InVITs
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Manish Kumar Gupta Senior Director **CRISIL Ratings Limited** B:+91 124 672 2000 manish.gupta@crisil.com Naveen Vaidyanathan Director **CRISIL Ratings Limited** B:+91 22 3342 3000 naveen.vaidyanathan@crisil.com LOVISH GUPTA Senior Rating Analyst **CRISIL Ratings Limited** B:+91 124 672 2000 LOVISH.GUPTA@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html