Aircel: Ever increasing circles

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Aircel's expansion deal is the biggest telecoms project financing in India to date, blending commercial and multilateral debt to the tune of $3.45 billion. It is also the largest pan-Indian mobile network expansion, covering the roll-out of eight new coverage circles and increased capacity in 10 legacy circles.

The deal is structured as a single loan facility for Aircel, comprising three borrowing entities Aircel Limited (AL), Aircel Cellular Limited (ACL) and Dishnet Wireless Limited (DWL) under a cross-guarantee mechanism.

The multi-currency debt package comprises a Rs110 billion ($2.25 billion) term loan, $1.2 billion of export credit agency loans and Rs26.6 billion of vendor credits. Aircel's parent company Maxis Communications Berhad is providing Rs119.6 billion of sponsor equity.

Of the dollar-denominated debt China Development Bank, EKN and Finnvera have lent $700 million, $400 million and $100 million, respectively.

The rupee-denominated commercial debt has a door-to-door tenor of 10 years, with a three-year grace period during construction. There is also a provision for an optional cash sweep, according to which 50% of any cash generated in excess of Rs5 billion from 2014 can be used to pay down the loan. The term loan's pricing is 25bp over an average of the prime lending rates of State Bank of India, Punjab National Bank, Bank of Baroda and Canara Bank. The rate is reset annually, and stands at 12.25% until the next reset point of 29 July 2010.

The rupee debt was provided by SBI, LIC, Canara Bank, Bank of Baroda, Allahabad Bank, Indian Bank, Indian Overseas Bank, United Bank of India, UCO Bank, Bank of India, Corporation Bank, State Bank of Hyderabad, State Bank of Patiala, Dena Bank, State Bank of Mysore, Yes Bank, Federal Bank, Andhra Bank, Jammu & Kashmir Bank, State Bank of Travancore, South Indian Bank, State Bank of Indore, Karur Vysya Bank and Lakshmi Vilas Bank. Amarchand Mangaldas and Suresh A Shroff and Company and Clifford Chance were Indian and English legal advisers to the lenders. Spectrum Value Partners and Marsh India were technical and insurance advisers to the lenders, respectively.

The multilateral and commercial facilities are secured by a charge on the company's assets and receivables, assignment of telecoms licences, its trust and retention account (TRA), its debt service reserve account and the assignment of all project documents in favour of the lenders.

The deal also comes with a number of covenants: Maxis has agreed to keep a 51% stake and management control in Aircel, as well as to ensure timely project delivery and the provision of contingent equity support. Furthermore, the debt service coverage ratio cannot fall below 20% of the base case, and a step-down net debt to Ebitda ratio.

The structure also uses a master TRA to consolidate the TRAs of the three individual Aircel companies AL, ACL and DWL to capture all project cash-flows. The TRA also segregates the operational cashflows of the individual companies whilst consolidating the funding arrangements.

Aircel originally went out to the bank market for Rs85 billion. It received offers adding up to Rs130 billion, which was scaled back to Rs110 billion. The three export lenders also offered significantly more debt than was needed, and Aircel decided to sign with them for $1.2 billion, taking the debt amount to $3.45 billion, $750 million more than it needed for the expansion project. J Sagar & Associates and Baker McKenzie were Indian and English legal advisers to the sponsors.

The reasoning behind maximising both commercial and agency debt is that Aircel is planning to bid on the Indian 3G spectrum allotments, the auctions for which were set to start on 9 April.

At present, all telecom services in India are offered on the 2G platform, apart from the state-owned networks BSNL and MTNL, which already have commercial 3G services in place. The government has set a reserve price of Rs35 billion for slots on all of the 23 circles, and Aircel plans to draw on the agency debt for the network expansion project and keep the commercial piece intact for the 3G auctions, which have been delayed for two years because of delays in freeing up the spectrum and fixing bid prices, as well as disagreements between the telecoms regulator and the defence ministry over the release of airwaves earmarked for defence facilities, and the installation of a fibre-optic network.

Aircel provides GSM-based mobile services in 10 of India's 23 telecom circles. As part of the current project, it plans to roll out a network comprising around 37,400 base transceiver sites by 2011, expanding its coverage and footprint in eight new circles and increasing capacity in its existing circles, with a view to increasing its subscriber base from 31 million to 100 million by 2012.

As a part of those expansion plans, Aircel is also in the process of selling its mobile masts company to GTL Infrastructure for $1.8 billion, freeing up cash for its overall growth plans at the same time as strengthening ties with GTL, which will build around 20,000 towers for Aircel over the next two years.

Aircel
Status: Financial close 29 July 2009 for rupee loan, November 2009 for dollar loan
Description: $3.45 billion financing of a pan-Indian expansion of GSM circles
Sponsor: Maxis Communications
Financial adviser: SBI Capital Markets
Domestic lenders: SBI, LIC, Canara Bank, Bank of Baroda, Allahabad Bank, Indian Bank, Indian Overseas Bank, United Bank of India, UCO Bank, Bank of India, Corporation Bank, State Bank of Hyderabad, State Bank of Patiala, Dena Bank, State Bank of Mysore, Yes Bank, Federal Bank, Andhra Bank, Jammu & Kashmir Bank, State Bank of Travancore, South Indian Bank, State Bank of Indore, Karur Vysya Bank, Lakshmi Vilas Bank
Export lenders: China Development Bank, EKN, Finnera
Legal advisers to sponsor: J Sagar & Associates, Baker & McKenzie
Legal advisers to lenders: Amarchand Mangaldas & Suresh A Shroff & Co, Khaitan & Khaitan, Clifford Chance
Vendors: Nokia Siemens Networks, Ericsson, ZTE Corporation, Huawei
Lenders' consultants: Spectrum Value Partners (market and technical and engineering), Marsh India (insurance), Environ (environmental)