



Fitch Downgrades Rolta India to 'RD'; Bonds to 'C'/'RR5'

Fitch Ratings-Singapore-02 June 2016: Fitch Ratings has downgraded Rolta India Limited's (Rolta) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) to 'RD' from 'CC'. Simultaneously, Fitch has downgraded the Rolta, LLC's USD127m 10.75% senior unsecured notes due 2018 and Rolta Americas LLC's USD367m 8.875% senior unsecured notes due 2019 to 'C' with Recovery Rating of 'RR5' from 'CC' with Recovery Rating of 'RR4'. Fitch has also downgraded the Rolta's senior unsecured class rating to 'C' from 'CC'. The notes are guaranteed by Rolta.

The rating action follows Rolta's disclosure that bank loans of USD35m due on 31 March 2016 are still outstanding and our understanding that there has been no agreement between the lenders and Rolta to extend this maturity.

We note that Rolta has been not been transparent in providing Fitch and other relevant market participants with information about its liquidity situation. Unless the company provides us with timely updates on how it intends to meet its upcoming commitments, we may have to withdraw the ratings due to lack of information.

KEY RATING DRIVERS

Liquidity Crisis: We believe that Rolta's short-term liquidity is critically weak. In addition to the USD35m bank loan, it missed a coupon payment of USD6.8m on its 2018 bond on 16 May 2016. While the company has stated its intention to pay the bond coupon within the 30-day grace period, it has not shared any plan to improve its liquidity position. Fitch believes that Rolta needs USD58m to improve its liquidity in the very short term - including the USD6.8m missed coupon payment, USD35m for paying overdue bank loans and USD16m for coupon payment due in mid-July on its 2019 bonds.

Rolta reported a cash balance of USD33m at end-March 2016 - over half of which is restricted while the company says the rest is needed to fund working capital requirements. Rolta reported poor financial results for the quarter ending March 2016 - revenue and EBITDA declined by 14% and 50% respectively. Tellingly, receivables increased substantially to USD288m, or about 190 days of its revenue from 126 days a year earlier.

We understand that non-payment of the bank loan may trigger a cross-default under the bond documents if such non-payment continues for 45 days following written notice from either 25% of the bondholders or the bond trustee.

Lower Recovery: Fitch has lowered the Recovery Rating on the bonds to 'RR5' as the company's weaker-than-expected results have caused us to revise down the distressed enterprise value used in our recovery calculations. An 'RR5' Recovery Rating indicates a recovery of 11%-30% of current principal and related interest in our calculations. We note that the two unsecured US dollar bonds rank behind the company's secured bank debt.

RATING SENSITIVITIES

Negative: Future developments that may lead to a downgrade of the IDRs to 'D' include if, in Fitch's opinion:

- Rolta has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedures, or otherwise ceased business.

Positive: Future developments that may, individually or collectively, lead to a positive rating action include:

- improvement in its liquidity position such that it can pay its short-term obligations.

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Applicable Criteria

Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage (pub. 17 Aug 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869362&cft=0)

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Dodd-Frank Rating Information Disclosure Form

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