

Bharti Infratel

Estimate change

TP change

Rating change


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Bloomberg	BHIN IN
Equity Shares (m)	1,897
M.Cap.(INRb)/(USDb)	352.4 / 4.8
52-Week Range (INR)	296 / 121
1, 6, 12 Rel. Per (%)	-23/-14/-31
12M Avg Val (INR M)	2109

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	146.5	143.6	149.3
EBITDA	73.5	74.6	78.0
Adj. PAT	33.0	30.8	32.8
EBITDA Margin (%)	50.2	52.0	52.2
Adj. EPS (INR)	17.8	16.7	17.7
EPS Gr. (%)	31.1	-6.5	6.3
BV/Sh. (INR)	73.2	72.5	72.8
Ratios			
Net D:E	-0.1	-0.2	-0.3
RoE (%)	23.5	22.9	24.4
RoCE (%)	21.0	16.6	15.3
Payout (%)	65.7	104.4	98.2
Valuations			
EV/EBITDA (x)	4.6	4.4	4.0
P/E (x)	10.7	11.5	10.8
P/BV (x)	2.6	2.6	2.6
Div. Yield (%)	5.3	7.8	7.8
FCF Yield (%)	4.7	15.2	17.6

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	53.5	53.5	53.5
DII	4.9	3.6	1.7
FII	40.6	42.1	43.8
Others	1.0	0.8	1.0

FII Includes depository receipts

CMP: INR191
TP: INR210 (+10%)
Neutral

Limited impact from lockdown

- Adjusted for a one-off impact in the last quarter, EBITDA declined 7% QoQ. This was lower than we anticipated, attributable to the Energy margin turning negative. However, Rental EBITDA reported 10.8% QoQ growth to INR17.9b.
- We increase our FY21/FY22E revenue and EBITDA estimates by 13%/14% and 26%/24%, respectively, as we shift our model to post-Ind-AS 116. Excluding the accounting impact, EBITDA estimates are intact, building 1.5%/4.5% growth in FY21/FY22E.

LTL EBITDA declines 7% QoQ, adjusted for last quarter one-off

- Proforma consol revenue decreased 3.3% QoQ to INR35.1b (6% above est); Rental revenue declined by 0.4% QoQ (in-line) to INR22.4b. Energy revenue also declined by 8.1% QoQ to INR12.6b (16% beat); we anticipated it would be lower due to falling crude prices.
- Proforma consol EBITDA increased by 4% QoQ to INR17.7b (4% below est) on a lower base as the last quarter included an INR1.93b one-time provision. Adjusting for the same, EBITDA declined 7% QoQ. EBITDA was lower than our estimate as our expenses factored higher decline in crude prices.
- Rental EBITDA grew 11% to INR17.9b (in-line). Energy EBITDA turned to loss of INR253m v/s INR815m profit in 4QFY20 (est: INR406m profit).
- The EBITDA margin expanded 360bp QoQ to 50.4% (contracted 60bp YoY). This was led by improvement in Rental EBITDA, which increased 840bp to 81.5% due to the last quarter's abnormally low EBITDA.
- PBT/PAT was up by 9%/8% QoQ to INR9.4b/INR7b (5%/8% below estimate).
- Capex stood at INR1.9b for 1QFY21 (INR5.3b in 4QFY20), much lower due to the lockdown; 429 towers were added in 1QFY21, taking the total count to 95,801.
- Consol net tenancy dropped by 365 to 1,74,216 (est: 1,044 adds) v/s the addition of 431 in 4QFY20. On the other hand, gross co-location exits dropped QoQ to 1,228 v/s 2,067 in 4QFY20. Additionally, gross adds fell to 863 v/s 2,498 in 4QFY20. The average sharing factor stood at 1.82x v/s 1.84x in 4QFY20.

Highlights from management commentary

- New growth opportunities:** The WFH model being the new norm would open up demand for new technologies such as 5G, and BHIN is equipped and well-placed to exploit them.
- Increase in receivables and lower exit charges:** Management allayed concerns of an increase in receivables, which should be considered in conjunction with unbilled revenues (which have seen only a marginal increase). The shortfall of INR580m in exit charges is attributable to delay in payments.
- Energy margin:** This was seasonally down in the first quarter. Furthermore, some contracts were up for renewal, and operators chose to move to a pass-through model that could reduce the Energy margin to 0–3% from 3–5%.

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Valuation and view

- We see potential risk to BHIN's business from two factors primarily. A) The outlook on tenancy growth – the key driver for earnings and FCF growth remains at risk due to the business viability of its large customer, with estimated tenancy contribution of 40–45%. Furthermore, fresh tenancy may be tapered as telcos have guided for lower capex. B) BHIN's competitive position could weaken with a reducing tenancy market share and anchor tenants.
- We value BHIN on an SOTP basis to arrive at TP of INR210, implying EV/tenancy of 2.2m and EV/EBITDA of 5x (post-Ind-AS 116) and 6x (pre-Ind-AS 116). The stock offers healthy dividend yield of 8%, which could cushion further downside. Maintain **Neutral**.

Quarterly Performance

(INR m)

Y/E March (Consolidated)	FY20				FY21				FY20	FY21E	1Q FY21E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from operations	37,119	36,376	36,733	36,244	35,047	35,794	36,221	36,530	1,46,472	1,43,592	33,051	6.0
YoY Change (%)	1.0	-0.8	0.9	0.7	-5.6	-1.6	-1.4	0.8	0.4	859.6	-11.0	
Total Expenditure	18,164	17,593	17,961	19,254	17,375	17,048	17,201	17,350	72,972	68,974	14,576	19.2
EBITDA	18,955	18,783	18,772	16,990	17,672	18,746	19,020	19,180	73,500	74,618	18,475	-4.3
YoY Change (%)	24.7	26.4	24.8	13.9	-6.8	-0.2	1.3	12.9	22.5	983.0	-2.5	
Depreciation	7,425	7,453	7,036	7,657	7,057	7,400	7,400	7,743	29,571	29,599	7,715	-8.5
Interest	1,125	1,251	1,384	1,247	1,425	1,425	1,425	1,425	5,007	5,700	1,283	11.1
Other Income	651	349	336	576	239	478	478	717	1,912	1,912	478	-50.0
PBT	11,056	10,428	10,688	8,662	9,429	10,399	10,674	10,729	40,834	41,231	9,955	-5.3
Tax	2,186	793	2,701	2,167	2,393	2,617	2,687	2,701	7,847	10,398	2,575	
Rate (%)	19.8	7.6	25.3	25.0	25.4	25.2	25.2	25.2	19.2	25.2	25.9	
Reported PAT	8,870	9,635	7,987	6,495	7,036	7,781	7,987	8,029	32,987	30,833	7,380	-4.7
Adj PAT	8,870	9,635	7,987	6,495	7,036	7,781	7,987	8,029	32,987	30,833	7,380	-4.7
YoY Change (%)	39.0	55.0	23.2	6.9	-20.7	-19.2	0.0	23.6	31.1	298.5	-16.8	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21				FY20	FY21E	1Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Bharti Infratel Standalone											
Total Towers (nos)	40,636	41,050	41,471	42,053	42,339	42,704	43,070	43,435	42,053	43,435	42,419
Total Co-locations (nos)	76,119	76,176	76,322	75,715	75,435	75,735	76,035	76,335	75,715	76,335	76,015
Average sharing factor	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Sharing revenue per operator per	44,623	46,095	45,018	45,715	45,173	45,625	46,081	46,542	45,442	45,726	46,172
Rental EBITDA margin (%)	82.2	85.9	82.8	73.2	81.5	82.6	82.7	82.8	81.0	82.4	63.0
Energy EBITDA margin (%)	5.4	(0.3)	1.6	5.9	(2.0)	3.0	3.0	3.0	3.2	1.8	3.7
EBITDA Margins (%)	51.1	51.6	51.1	46.9	50.4	52.4	52.5	52.5	50.2	52.0	55.9
EBIT Margin (%)	31.1	31.1	31.9	25.8	30.3	31.7	32.1	31.3	30.0	31.4	26.7
Adj. PAT Margins (%)	23.9	26.5	21.7	17.9	20.1	21.7	22.1	22.0	22.5	21.5	22.3

E: MOFSL Estimates

Key operating metrics

- The company received notices for 3,474 co-locations exits (v/s 3,564 QoQ), but actual exits are yet to happen.
- Rentals per tenant (per month) declined 1.5% QoQ to INR42,023.

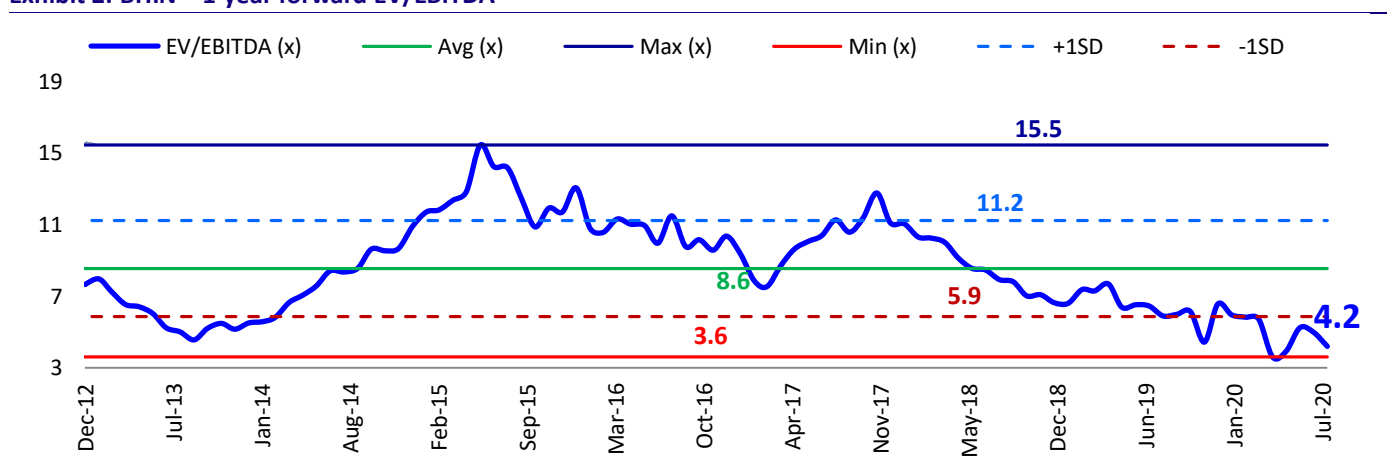
Others

- The board has declared interim dividend of INR2.3/share for FY21.
- BHIN's CEO, Mr D S Rawat, resigned from the company, which would be effective from 3rd Aug'20.

Exhibit 1: Bharti Infratel – SOTP Valuation

	Value (INR b)	Value (INR/sh)	Implied FY22 EV/ Tenancy (INR m)	Implied FY22 EV/EBITDA (x)
Standalone (DCF based)	158	85	2.0	4.5
Indus (DCF based)	616	333	2.6	6.4
Indus value (42%)	259			
Indus value post holdco discount of 20%	207	112	2.1	5.1
Total Enterprise value	365	197	2.1	4.7
Net Debt	-24	-13		
Shares o/s (b)	1.8			
Fair value	389	210	2.2	5.0
CMP		191		
Upside		10%		

Source: MOFSL, Company

Exhibit 2: BHIN – 1-year forward EV/EBITDA

Source: MOFSL, Company

**Management call highlights****Key highlights**

- **New growth opportunities:** The WFH model, being the new norm, would open up demand for new technologies such as 5G, and BHIN is equipped and well-placed to exploit them.
- **Increase in receivables and lower exit charges:** Management allayed concerns of an increase in receivables, which should be considered in conjunction with unbilled revenues (which have seen only a marginal increase). The shortfall of INR580m in exit charges is attributable to delay in payments.
- **Energy margin:** This was seasonally down in the first quarter. Furthermore, some contracts were up for renewal, and operators chose to move to a pass-through model that could reduce the Energy margin to 0–3% from 3–5%.
- **Business normalizing:** The business is on track and has largely recovered from the revenue/profitability losses due to large-scale exits.

Operational performance

- **Operating metrics:** The consolidated towers/co-locations base increased by 3.4%/0.6% YoY to 95,801/174,260, with an average sharing factor of 1.82x. The

number of co-locations declined QoQ by 0.6% as BHIN continues to see some exits and two operators are currently not rolling out tenancies.

- **Adjusted EBITDA:** After adjusting for INR1.25b write-backs in Jun'19 and INR580m exit charges (not recognized in 1QFY21), EBITDA would stand at INR18.65b, similar to EBITDA in 1QFY20.
- **Increase in receivables:** Receivables increased on a reduction in unbilled revenue, which was higher in 4QFY20 due to technical issues. As a result, a marginal increase was seen in both receivables and unbilled revenue.
- **Exit charges:** Exit charges are lower due to shortfall of INR580m, which is delayed as the company is yet to receive the payment. The amount is finalized and agreed to by the payor; however, as per company policy, it recognizes exit charges only after receiving them.
- **Return ratios:** RoCE pre-tax and RoE post-tax would be ~24% for 1QFY21.
- **Business recovery:** Management highlighted the business is on track on a normal basis and has largely recovered from the revenue/profitability losses due to large-scale exits.
- **Dividend:** The board has declared dividend of INR2.3/share as it received dividend from Indus, in line with the company's policy of passing on the dividends received from associates to shareholders.

Change in management; update on merger/AGR

- **Merger update:** The board has extended the long stop date of the merger to 31st Aug'20, with each party retaining the right to terminate the contract.
- **AGR update:** The Supreme Court, in its last hearing, upheld the amount decided by DoT and reserved the order on the timelines of repayment. The next hearing is scheduled for 10th Aug'20, and the management is hopeful of a favorable outcome.
- **MD & CEO's resignation:** Mr D S Rawat would cease to be the CEO of the company from 3rd Aug'20. However, he would continue as Advisor to the Board for a few months to provide guidance.
- **Interim CEO:** Mr Sachin Nayak would be interim CEO until the completion of the merger or a new CEO is appointed.

COVID-19 impact

- **Increased demand:** BHIN witnessed a surge in demand for connectivity, with a heavy reliance on the wireless network.
- **Delayed new rollouts:** Due to lockdown restrictions, new rollouts were delayed by a few weeks. However, the impact has not been material on financial numbers. Furthermore, new rollouts have resumed at healthy levels, and state authorities are also being supportive owing to the essential nature of the business.

Outlook

- **Energy margin:** The company changed its guidance on the Energy margin to 0–3% from 3–5%. However, it is continuously engaging with telcos to move them back to long-term fixed energy contracts. In the long run, this could bring margins back to previous levels.

- **New growth opportunities:** Management believes WFH being the new norm would open up demand for new technologies such as 5G, and BHIN is equipped and well-placed to exploit these new growth opportunities.
- **Active sharing:** Management is continuously following up with DoT on this issue and believes it could present significant growth opportunity. It could be a good revenue stream and would be a win-win situation for operators and infrastructure providers as it would lower their cost.
- **Non-tower revenue opportunity:** BHIN has won the smart city project for Bhopal and deployed capex of INR1–1.25b. Moreover, the company has started to generate revenue and achieved breakeven already. Furthermore, it has managed to sell fiber to an operator and seeks to scale this business to other avenues. Management believes the government could scale up these projects over six to eight months. The need for fiber infrastructure would increase with 5G as every tower would need to be connected with fiber. Management is confident that non-tower revenue could contribute more than 10–15% to overall revenue in future.

Exhibit 3: Performa consolidated performance (INR m)

	1QFY20	4QFY20	1QFY21	YoY%	QoQ%	1QFY21E	v/s est (%)
Consolidated Revenue	37,119	36,244	35,047	-5.6	-3.3	33,051	6.0
-Rent	22,606	22,513	22,430	-0.8	-0.4	22,159	1.2
-Energy and other reimbursements	14,513	13,731	12,617	-13.1	-8.1	10,892	15.8
Operating Expenses	18,164	19,254	17,375	-4.3	-9.8	18,532	-6.2
Consolidated EBITDA	18,955	16,990	17,672	-6.8	4.0	18,475	-4.3
EBITDA margin (%)	51.1	46.9	50.4	-64bps	355bps	55.9	-547bps
Consolidated EBITDA pre IND AS 116	14,999	12,980	13,716	-8.6	5.7	14,519	-5.5
EBITDA margin (%)	40.4	35.8	39.1	-127bps	332bps	43.9	-479bps
Depreciation and amortization	7,425	7,657	7,057	-5.0	-7.8	7,715	-8.5
EBIT	11,530	9,333	10,615	-7.9	13.7	10,760	-1.3
Net finance cost	474	671	1,186	150.2	76.8	805	47.4
Profit Before Taxes & Exceptional items	11,056	8,662	9,429	-14.7	8.9	9,955	-5.3
Exceptional item	0	0	0	NM	NM	0	NM
Profit Before Taxes	11,056	8,662	9,429	-14.7	8.9	9,955	-5.3
Tax	2,186	2,167	2,393	9.5	10.4	2,575	-7.1
Effective Tax Rate (%)	19.8	25.0	25.4	561bps	36bps	25.9	-49bps
Proforma Profit After Tax	8,870	6,495	7,036	-20.7	8.3	7,380	-4.7
Adj. PAT	8,870	6,495	7,036	-20.7	8.3	7,380	-4.7
Energy/Non-energy mix	1QFY20	4QFY20	1QFY21	YoY%	QoQ%	1QFY21E	v/s est (%)
Rental EBITDA	18,178	16,175	17,925	-1.4	10.8	18,123	-1.1
<i>Rental EBITDA margin (%)</i>	82.2	73.2	81.5	-70bps	838bps	81.8	-24bps
Rental EBITDA pre IND AS 116	14,222	12,165	13,915	-2.2	14.4	14,113	-1.4
<i>Rental EBITDA margin (%)</i>	62.9	54.0	62.0	-88bps	800bps	63.7	-165bps
Energy EBITDA	777	815	-253	-132.6	-131.0	406	-162.3
<i>Energy EBITDA margin (%)</i>	5.4	5.9	-2.0	-736bps	-794bps	3.7	-573bps

Source: MOFSL, Company

Exhibit 4: KPI performance

Revenue Drivers	1QFY20	4QFY20	1QFY21	YoY%	QoQ%	1QFY21E	v/s est (%)
Consolidated							
Total Towers (nos)	92,632	95,372	95,801	3.4	0.5	95,822	0.0
Total Co-locations (nos)	1,73,247	1,74,581	1,74,216	0.6	-0.2	1,75,259	-0.6
Average sharing factor	1.87	1.84	1.82	-2.5	-0.8	1.83	-0.3
Sharing revenue per operator per month (INR)	42,591	42,267	42,023	-1.3	-0.6	42,669	-1.5
Bharti Infratel Standalone							
Total Towers (nos)	40,636	42,053	42,339	4.2	0.7	42,419	-0.2
Total Co-locations (nos)	76,119	75,715	75,435	-0.9	-0.4	76,015	-0.8
Average sharing factor	1.88	1.82	1.79	-4.8	-1.6	1.80	-0.3
Sharing revenue per operator per month (INR)	44,623	45,715	45,173	1.2	-1.2	46,172	-2.2
Indus Towers (100% basis)							
Total Towers (nos)	1,23,799	1,26,949	1,27,291	2.8	0.3	1,27,149	0.1
Total Co-locations (nos)	2,31,256	2,35,396	2,35,192	1.7	-0.1	2,36,296	-0.5
Average sharing factor	1.86	1.85	1.85	-0.6	-0.2	1.86	-0.3
Sharing revenue per operator per month (INR)	40,989	39,590	39,596	-3.4	0.0	39,986	-1.0

Source: MOFSL, Company

Exhibit 5: QoQ tenancy analysis

	1QFY20	4QFY20	1QFY21	YoY%	QoQ%
Opening co-locations	1,72,724	1,74,150	1,74,581	1.1	0.8
Gross Adds	1,479	2,498	863	-41.6	68.9
Exits	956	2,067	1,228	28.5	116.2
Net Add/(Deletions)	523	431	-365	-169.8	-17.6
Closing co-locations	1,73,247	1,74,581	1,74,216	0.6	0.8

Source: MOFSL, Company

Exhibit 6: Rental revenue/EBITDA ex-exit charges

	1QFY20	4QFY20	1QFY21	YoY%	QoQ%
Rental revenue	22,606	22,513	22,430	-0.8	-0.4
Exit penalty charges	0	1,073	543	NA	-49.4
Rental revenue (ex-exit charges)	22,606	21,440	21,887	-3.2	2.1
Rental EBITDA (ex-exit charges)	18,178	15,102	17,382	-4.4	15.1
EBITDA margin (%)	80.4%	70.4%	79.4%	-100bps	898bps
Sharing revenue per operator per month (INR)	40,989	39,590	39,596	-3.4	0.0

Source: MOFSL, Company

Exhibit 7: Summary of estimate change

	FY21E	FY22E	FY21E	FY22E
Total towers (000's)			Revenue (INR b)	
Old	97.2	99.0	127.4	130.7
Actual/New	97.1	98.9	143.6	149.3
Change (%)	0.0	0.0	12.7	14.3
Total co-locations (000's)			EBITDA (INR b)	
Old	177.3	180.0	59.5	62.9
Actual/New	175.9	178.1	74.6	78.0
Change (%)	-0.8	-1.1	25.5	24.1
Sharing revenue per operator (INR 000's/month)			EBITDA margin (%)	
Old	43.1	44.4	46.7	48.1
Actual/New	42.5	43.6	52.0	52.2
Change (%)	-1.3	-1.7	530bps	412bps
EPS (INR)			PAT (INR b)	
Old	15.6	16.8	28.8	31.1
Actual/New	16.7	17.7	30.8	32.8
Change (%)	7.0	5.5	7.0	5.5

Exhibit 8: BHIN-Indus post-merger proforma financials (INR b)

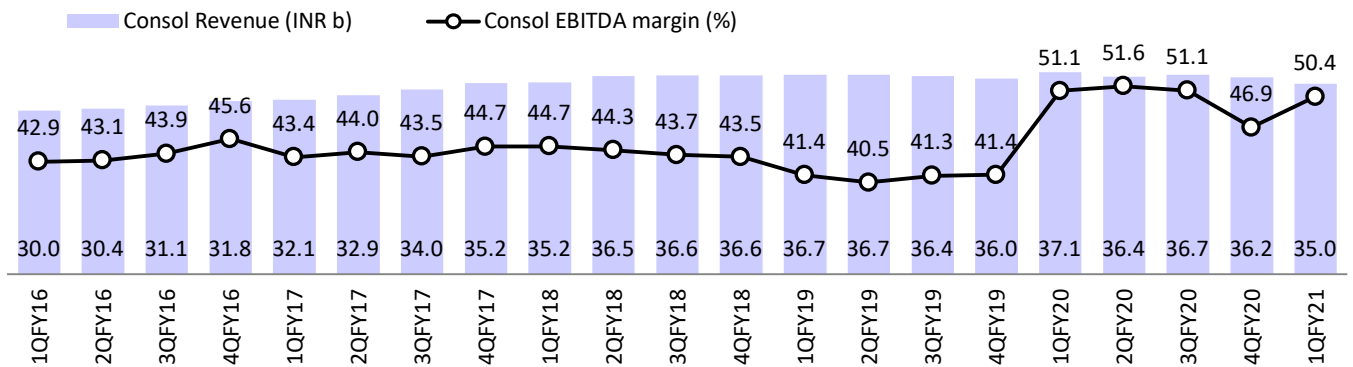
	FY18	FY19*	FY20*	FY21E*	FY22E*
Revenue from operations	254	253	256	247	255
-Rental Revenue	156	145	154	155	160
-Energy Reimbursements	98	108	102	92	95
Operating Expenditure					
Power and fuel	89	99	97	89	92
Rent	25	25	0	0	0
Employee benefits expenses	8	8	8	8	9
Repair and maintenance expenses	16	14	13	13	13
Other expenses	6	6	10	8	8
Charity and donation	1	1	1	1	1
Total Opex	145	153	130	119	123
EBITDA	108	100	126	127	132
EBITDA margin	43%	39%	49%	52%	52%
Depreciation	40	38	52	52	0
EBIT	69	62	74	76	132
EBIT margin	27%	24%	29%	31%	52%
Net Finance cost/(Finance Income)	2	2	-5	1	0
Exceptional Item	-1	-1	0	0	0
PBT	70	63	69	77	132
Total tax expense	23	20	24	26	45
Effective tax rate (%)	32%	32%	34%	34%	34%
PAT	47	42	46	51	87
EPS (INR)	26	23	17	19	33

*Assuming cash election by Vodafone Idea and Providence

Source: MOFSL, Company

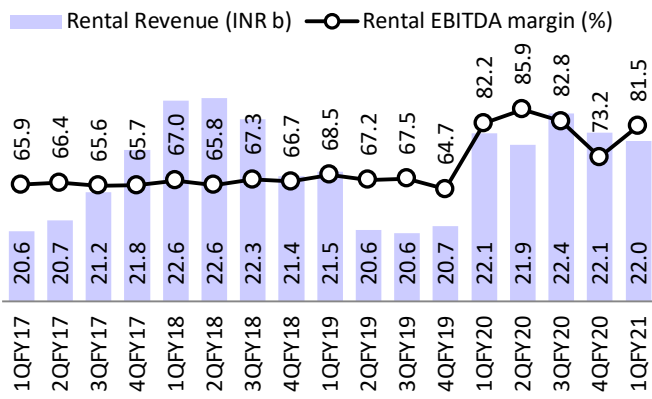
Story in charts

Exhibit 9: Consol. revenue declines 3.3%; consol. EBITDA margin expands 360bp (INR b, %)



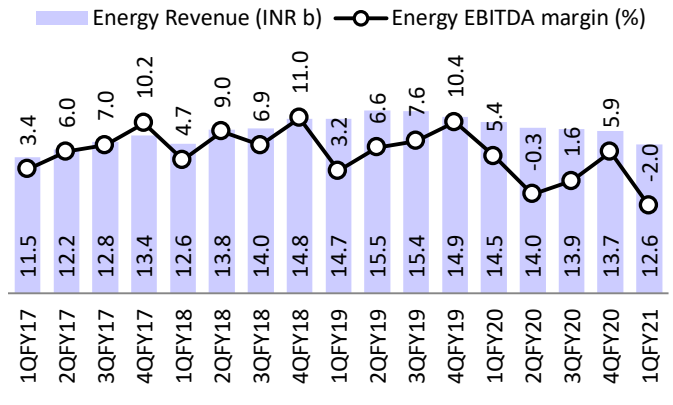
Source: MOFSL, Company

Exhibit 10: Rental revenue declines 0.6% QoQ (INR b, %)



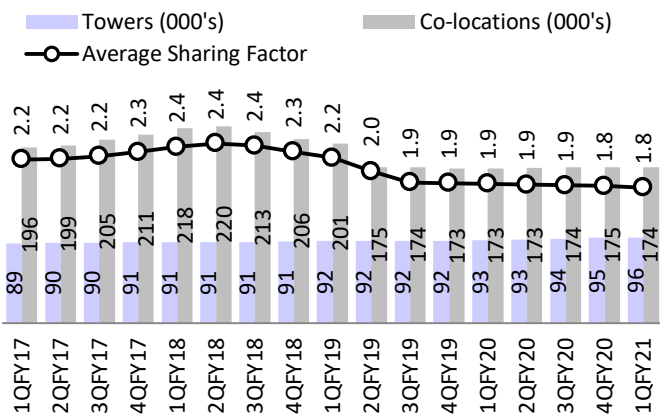
Source: MOFSL, Company

Exhibit 11: Energy revenue declines 8.1% QoQ (INR b, %)



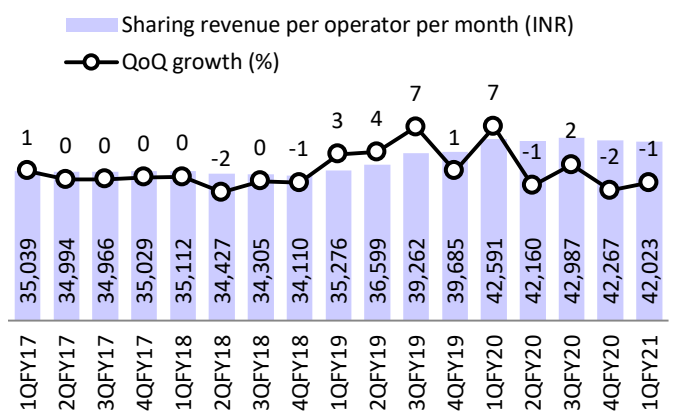
Source: MOFSL, Company

Exhibit 12: Tenancies flat QoQ



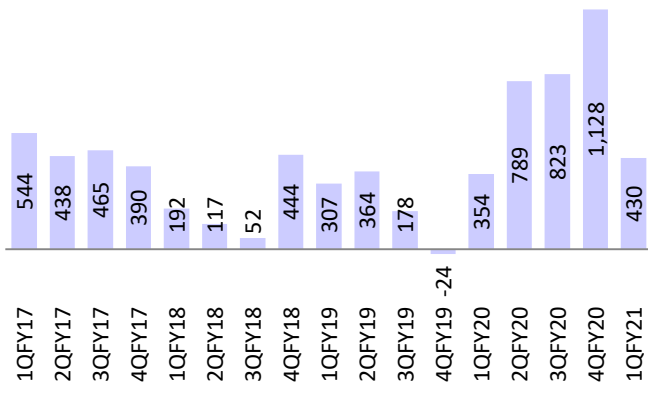
Source: MOFSL, Company

Exhibit 13: Sharing revenue/operator/month down 0.6% QoQ



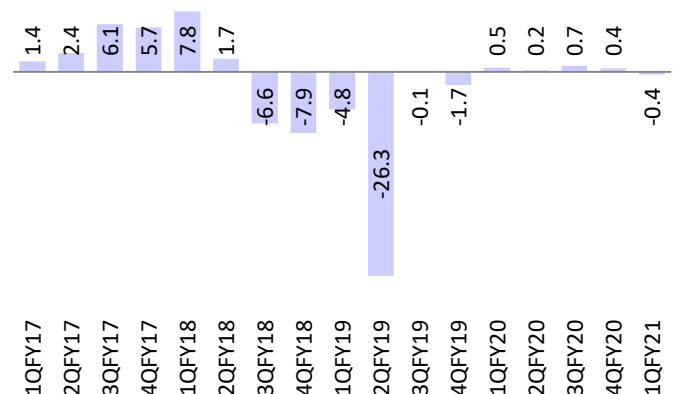
Source: MOFSL, Company

Exhibit 14: 430 tower adds QoQ



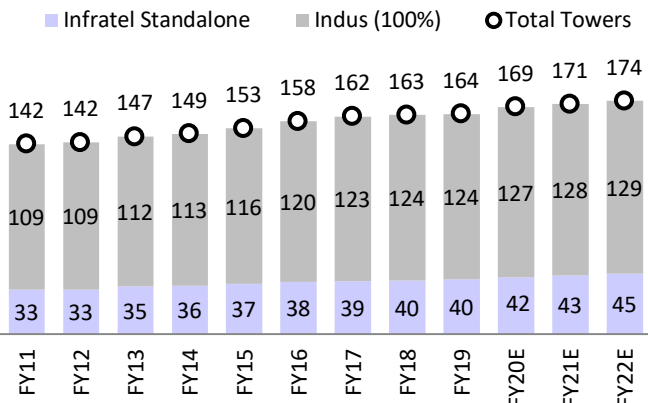
Source: MOFSL, Company

Exhibit 15: Net 0.4k tenancy exits ('000)



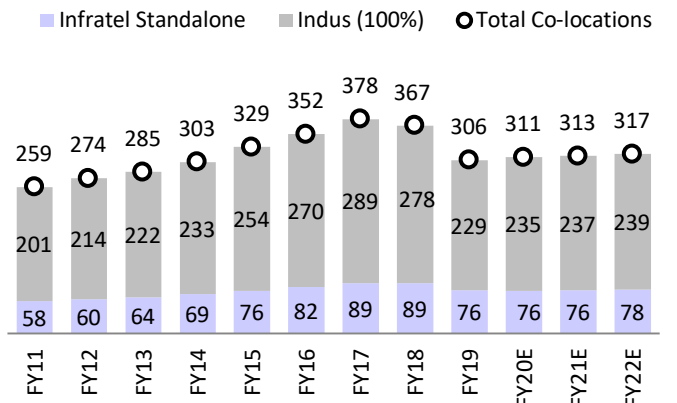
Source: MOFSL, Company

Exhibit 16: Tower portfolio breakup (000s)



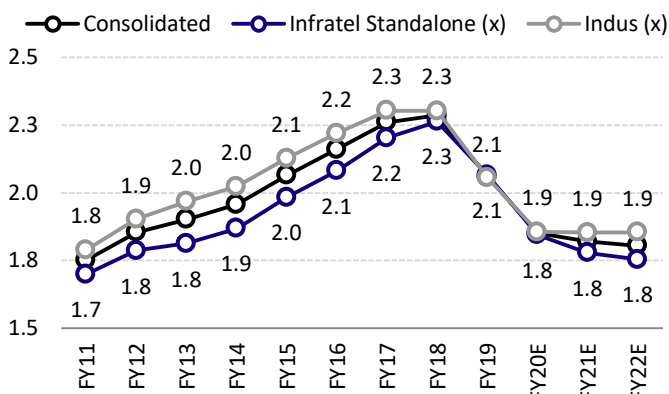
Source: MOFSL, Company

Exhibit 17: Co-location breakup (000s)



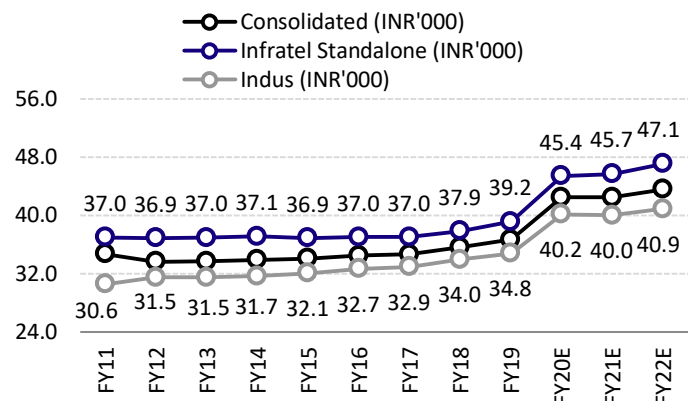
Source: MOFSL, Company

Exhibit 18: Average sharing factor (x)



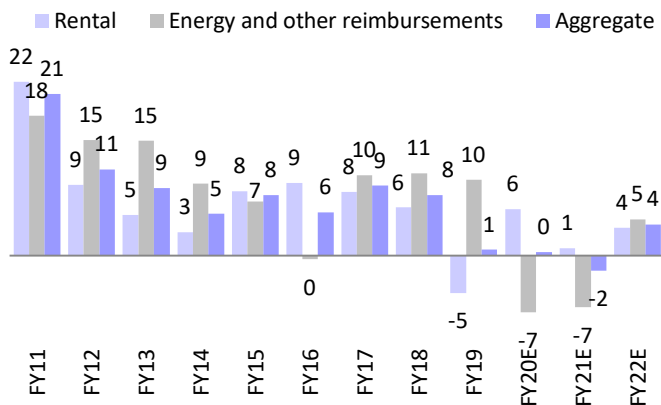
Source: MOFSL, Company

Exhibit 19: Sharing revenue/operator (INR'000s/month)



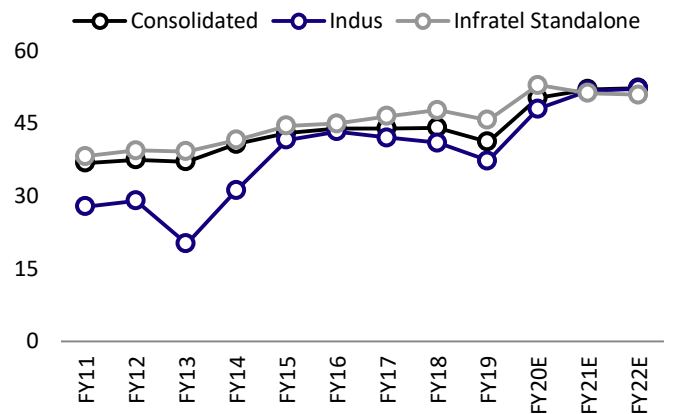
Source: MOFSL, Company

Exhibit 20: Consolidated revenue growth (%)



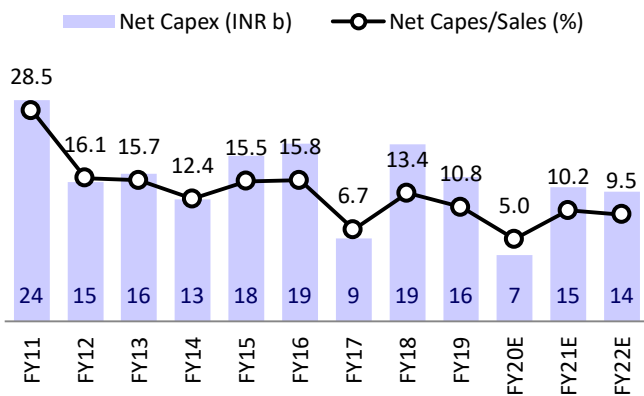
Source: MOFSL, Company

Exhibit 21: EBITDA margin (%)



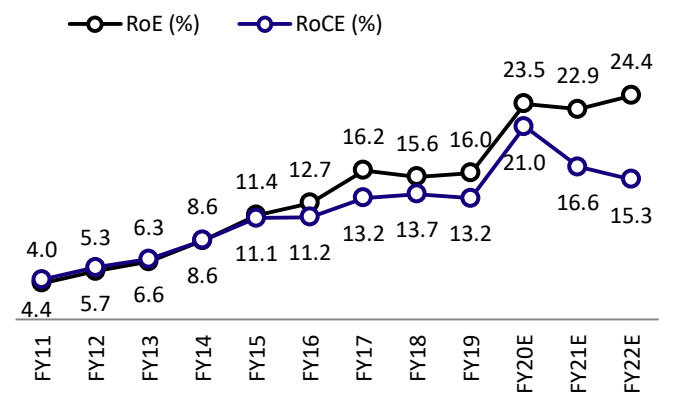
Source: MOFSL, Company

Exhibit 22: Net capex intensity to increase over FY20



Source: MOFSL, Company

Exhibit 23: Return ratio trend



Source: MOFSL, Company

Exhibit 24: Bharti Infratel – A snapshot

	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Towers (000s)									
Consolidated	83	86	89	91	91	92	95	97	99
YoY (%)	2	3	3	2	1	0.9	3.4	1.9	1.9
Net additions	1.3	2.5	2.9	1.8	0.8	0.8	3.1	1.8	1.8
-Infratel Standalone	0.8	1.3	1.3	0.6	0.4	0.9	1.7	1.4	1.5
-Indus	1.2	2.9	3.9	2.8	0.9	-0.1	3.4	0.9	0.8
Co-locations (000s)									
Consolidated	167	182	195	211	206	173	175	176	178
YoY (%)	7	9	7	8	-2	-16.0	1.1	0.7	1.3
Net additions	10.6	15.1	12.7	15.6	-5.0	-32.9	1.9	1.3	3.9
-Infratel Standalone	5.6	6.7	5.8	7.6	-0.6	-12.3	-0.6	0.6	2.1
-Indus	12.0	20.0	16.5	18.9	-10.5	-48.9	5.9	1.6	4.2
Average sharing factor (x)									
Consolidated	2.0	2.1	2.2	2.3	2.3	2.1	1.9	1.8	1.8
-Infratel Standalone	1.9	2.0	2.1	2.2	2.3	2.1	1.8	1.8	1.7
-Indus	2.0	2.1	2.2	2.3	2.3	2.1	1.9	1.9	1.9
Sharing revenue per operator (INR '000/month)									
Consolidated	33.9	34.1	34.5	34.7	35.6	36.7	42.5	42.5	43.6
YoY (%)	0.6	0.5	1.2	0.5	2.8	3.0	15.8	0.0	2.6
-Infratel Standalone	37.1	36.9	37.0	37.0	37.9	39.2	45.4	45.7	47.1
-Indus	31.7	32.1	32.7	32.9	34.0	34.8	40.2	40.0	40.9
Revenue break-up (INR b)									
Rental revenue	65.8	71.3	77.9	84.3	89.5	85.2	90.3	91.2	94.5
YoY (%)	3.0	8.3	9.4	8.2	6.2	-4.8	6.0	1.0	3.6
-Bharti Infratel standalone	29.6	32.1	35.0	38.0	40.4	38.8	41.5	41.7	43.5
-Indus	86	94	103	110	116	106	112	113	117
Energy and other reimbursements	42.5	45.4	45.2	49.9	55.2	60.6	56.1	52.4	54.8
YoY (%)	9.3	6.9	-0.5	10.4	10.6	9.8	-7.3	-6.7	4.7
-Bharti Infratel standalone	20.4	21.8	20.8	22.9	25.8	29.4	25.9	24.8	26.1
-Indus	52.3	55.8	59.0	64.8	71.8	78.7	76.2	66.8	68.4
Total revenue (INR b)	108	117	123	134	145	146	146	144	149
YoY (%)	5.4	7.8	5.7	8.9	7.9	0.6	0.4	-2.0	4.0
-Bharti Infratel standalone	50	54	56	61	66	68	67	67	0
-Indus	139	150	162	175	187	185	188	180	185
EBITDA (INR b)	44	50	54	59	64	60	74	75	78
YoY (%)	15.6	13.7	8.1	9.0	8.2	-5.9	22.5	1.5	4.5
EBITDA margin (%)	40.6	42.9	43.9	43.9	44.0	41.2	50.2	52.0	52.2
EBITDA per tower (INR m)	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8

Source: Company, MOFSL

Financials and valuations

Consol. - Income Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	1,08,267	1,16,683	1,23,314	1,34,237	1,44,896	1,45,823	1,46,472	1,43,592	1,49,333
Change (%)	5.4	7.8	5.7	8.9	7.9	0.6	0.4	-2.0	4.0
Power and fuel	40,612	41,950	42,598	46,533	50,772	56,384	54,360	51,443	53,322
Rent	8,886	9,460	10,322	11,628	12,615	12,551	0	0	0
Employee benefits expenses	3,670	3,997	4,279	4,679	5,002	4,914	5,001	5,423	5,597
Other Expenses	11,098	11,235	12,006	12,428	12,706	11,962	13,611	12,107	12,440
Total Expenditure	64,266	66,642	69,205	75,268	81,095	85,811	72,972	68,974	71,359
% of Sales	59.4	57.1	56.1	56.1	56.0	58.8	49.8	48.0	47.8
EBITDA	44,001	50,041	54,109	58,969	63,801	60,012	73,500	74,618	77,974
Margin (%)	40.6	42.9	43.9	43.9	44.0	41.2	50.2	52.0	52.2
Depreciation	21,259	21,847	22,235	22,626	23,462	22,239	29,571	29,599	30,085
EBIT	22,742	28,194	31,874	36,343	40,339	37,773	43,929	45,019	47,889
Int. and Finance Charges	3,997	2,902	-1,847	-4,414	0	-1,571	5,007	5,700	5,985
Other Income	4,487	5,223	2,048	1,455	2,423	2,034	1,912	1,912	1,912
PBT bef. EO Exp.	23,232	30,515	35,769	42,212	42,762	41,378	40,834	41,231	43,816
EO Items	0	0	0	0	-500	-357	0	0	0
PBT after EO Exp.	23,232	30,515	35,769	42,212	42,262	41,021	40,834	41,231	43,816
Total Tax	8,053	10,591	13,293	14,742	17,325	16,083	7,847	10,398	11,029
Tax Rate (%)	34.7	34.7	37.2	34.9	41.0	39.2	19.2	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0	0
Reported PAT	15,179	19,924	22,476	27,470	24,937	24,938	32,987	30,833	32,788
Adjusted PAT	15,179	19,924	22,476	27,470	25,232	25,155	32,987	30,833	32,788
Change (%)	51.6	31.3	12.8	22.2	-8.1	-0.3	31.1	-6.5	6.3
Margin (%)	14.0	17.1	18.2	20.5	17.4	17.3	22.5	21.5	22.0

Consolidated - Balance Sheet

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	18,893	18,938	18,967	18,496	18,496	18,496	18,496	18,496	18,496
Total Reserves	1,61,489	1,51,262	1,64,512	1,36,369	1,51,048	1,26,749	1,16,884	1,15,534	1,16,139
Net Worth	1,80,382	1,70,200	1,83,479	1,54,865	1,69,544	1,45,245	1,35,380	1,34,030	1,34,635
Total Loans	26,836	17,131	10,767	22,249	22,402	29,242	42,649	1,09,756	1,09,756
Lease liabilities							67,107	67,107	67,107
Deferred Tax Liabilities	11,249	12,247	12,249	7,150	6,223	6,153	-389	-389	-389
Capital Employed	2,18,467	1,99,578	2,06,495	1,84,264	1,98,169	1,80,640	2,44,747	3,10,504	3,11,109
Net Fixed Assets	1,53,205	1,48,121	1,44,868	1,36,326	1,30,740	1,25,871	1,21,655	1,06,773	90,873
Capital WIP	1,527	2,260	2,245	2,568	4,066	2,485	1,546	1,546	1,546
Right of use assets							51,298	51,298	51,298
Total Investments	74,803	58,822	38,811	56,211	67,850	47,973	54,383	54,383	54,383
Curr. Assets, Loans&Adv.	56,821	62,344	83,265	53,350	37,207	46,167	56,483	1,35,043	1,52,677
Account Receivables	3,075	3,532	1,916	3,664	9,185	14,883	20,683	20,472	20,897
Cash and Bank Balance	1,655	9,120	31,916	22,970	759	1,371	2,039	81,173	97,886
Loans and Advances	52,091	49,692	49,433	26,716	27,263	29,913	33,761	33,398	33,895
Curr. Liability & Prov.	67,889	71,969	62,694	64,191	41,694	41,856	40,618	38,539	39,668
Account Payables	1,894	1,342	959	17,387	18,580	20,991	18,430	18,019	18,583
Other Current Liabilities	45,422	43,694	41,139	40,699	16,448	13,547	14,097	12,433	12,988
Provisions	20,573	26,933	20,596	6,105	6,666	7,318	8,091	8,086	8,097
Net Current Assets	-11,068	-9,625	20,571	-10,841	-4,487	4,311	15,865	96,504	1,13,009
Appl. of Funds	2,18,467	1,99,578	2,06,495	1,84,264	1,98,169	1,80,640	2,44,747	3,10,504	3,11,109

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)									
EPS	8.0	10.5	11.8	14.9	13.6	13.6	17.8	16.7	17.7
Cash EPS	19.3	22.1	23.6	27.1	26.3	25.6	33.8	32.7	34.0
BV/Share	95.5	89.9	96.7	83.7	91.7	78.5	73.2	72.5	72.8
DPS	4.4	11.0	3.0	16.0	14.0	15.0	10.1	15.0	15.0
Payout (%)	63.5	121.0	29.2	125.0	120.5	129.1	65.7	104.4	98.2
Valuation (x)									
P/E		18.2	16.1	12.9	14.0	14.1	10.7	11.5	10.8
Cash P/E		8.7	8.1	7.1	7.3	7.5	5.7	5.9	5.6
P/BV		2.1	2.0	2.3	2.1	2.4	2.6	2.6	2.6
EV/Sales		2.7	2.5	2.2	2.1	2.3	2.3	2.3	2.1
EV/EBITDA		6.2	5.6	5.0	4.8	5.6	4.6	4.4	4.0
Dividend Yield (%)	2.3	5.7	1.6	8.4	7.3	7.8	5.3	7.8	7.8
FCF per share	13.8	11.5	12.9	10.6	9.1	1.3	8.6	27.0	29.7
Return Ratios (%)									
RoE	8.6	11.4	12.7	16.2	15.6	16.0	23.5	22.9	24.4
RoCE	8.6	11.1	11.2	13.2	13.7	13.2	21.0	16.6	15.3
RoIC	9.6	13.6	15.2	20.0	20.9	18.1	22.5	18.7	21.7
Working Capital Ratios									
Fixed Asset Turnover (x)	0.7	0.8	0.9	1.0	1.1	1.2	1.2	1.3	1.6
Asset Turnover (x)	0.5	0.6	0.6	0.7	0.7	0.8	0.6	0.5	0.5
Inventory (Days)	0	0	0	0	0	0	0	0	0
Debtor (Days)	10	11	6	10	23	37	52	52	51
Creditor (Days)	6	4	3	47	47	53	46	46	45
Leverage Ratio (x)									
Current Ratio	0.8	0.9	1.3	0.8	0.9	1.1	1.4	3.5	3.8
Interest Cover Ratio	5.7	9.7	-17.3	-8.2	NA	-24.0	8.8	7.9	8.0
Net Debt/Equity	-0.3	-0.3	-0.3	-0.4	-0.3	-0.1	-0.1	-0.2	-0.3

Consolidated - Cash Flow

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
(INR m)									
OP/(Loss) before Tax	23,232	30,515	36,207	35,797	42,262	41,021	37,875	41,231	43,816
Depreciation	21,259	21,847	22,693	11,657	23,462	22,239	12,815	29,599	30,085
Interest & Finance Charges	3,864	2,946	2,181	365	0	-1,571	3,350	5,700	5,985
Direct Taxes Paid	-4,345	-8,420	-11,547	-7,961	-17,325	-16,083	-5,465	-10,398	-11,029
(Inc)/Dec in WC	1,160	-1,655	630	-1,017	-28,565	-8,186	-5,370	-1,505	208
CF from Operations	45,170	45,233	50,164	38,841	19,834	37,420	43,205	64,627	69,066
Others	-5,646	-5,338	-6,218	-10,179	16,430	-19,158	-20,054	0	0
CF from Operating incl EO	39,524	39,895	43,946	28,662	36,264	18,262	23,151	64,627	69,066
(Inc)/Dec in FA	-13,389	-18,144	-19,433	-9,060	-19,374	-15,789	-7,288	-14,717	-14,185
Free Cash Flow	26,135	21,751	24,513	19,602	16,890	2,473	15,863	49,910	54,881
(Pur)/Sale of Investments	-35,977	17,588	25,887	8,913	-11,639	19,877	-3,686	0	0
Others	25,904	17	7,504	970	5,680	5,291	1,770	918	918
CF from Investments	-23,462	-539	13,958	823	-25,333	9,379	-9,204	-13,799	-13,267
Issue of Shares	57	490	338	-19,969	0	0	-39	0	0
Inc/(Dec) in Debt	-4,254	-7,601	-8,755	0	154	6,840	23,853	67,107	0
Interest Paid	-3,805	-3,010	-2,180	0	0	1,571	-4,682	-5,700	-5,985
Dividend Paid	-7,003	-21,755	-15,676	-6,679	-30,038	-32,183	-30,986	-32,183	-32,183
Others	0	0	0	0	0	0	0	0	0
CF from Fin. Activity	-15,005	-31,876	-26,273	-26,648	-29,885	-23,772	-11,854	29,224	-38,168
Inc/Dec of Cash	1,057	7,480	31,631	2,837	-18,954	3,869	2,093	80,052	17,631
Opening Balance	598	1,640	285	20,133	19,713	-2,498	-54	1,121	80,255
Closing Balance	3,009	7,982	31,916	22,970	759	1,371	2,039	81,173	97,886

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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