Rating matrix

Rating	:	Hold
Target	:	₹ 400
Target Period	:	12 months
Potential Upside	:	9%

What's changed?

Target	Changed from ₹ 350 to ₹ 400
EPS FY17E	Changed from ₹ 16.3 to ₹ 16.5
EPS FY18E	Introduced at ₹ 17.9
Rating	Changed from Buy to Hold

Quarterly performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	3,520.4	3,181.7	10.6	3,400.7	3.5
EBITDA	1,572.3	1,449.5	8.5	1,480.1	6.2
EBITDA (%)	44.7	45.6	-90 bps	43.5	114 bps
PAT	596.6	718.4	(17.0)	620.4	-3.8

Key financials

₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	12,331	13,424	14,486	15,191
EBITDA	5,411	5,897	6,384	6,843
Net Profit	2,247	2,747	3,060	3,305
EPS (₹)	11.8	14.9	16.5	17.9

Valuation summary

	FY16	FY17	FY18E	FY19E
P/E	30.9	24.6	22.1	20.5
Target P/E	33.7	26.9	24.2	22.4
EV / EBITDA	11.9	11.1	10.1	9.2
P/BV	3.8	4.4	4.4	4.4
RoNW	12.3	17.7	19.9	21.4
RoCE	15.7	20.1	22.8	24.9

Stock data

	Amount
Market Capitalization	68,435.2
Total Debt (FY17)	1,704.5
Cash and Investments	4,919.4
EV	65,220.4
52 week H/L	414/ 283
Equity capital	1,849.6
Face value	10.0

Research Analyst

Bhupendra Tiwary
bhupendra.tiwary@icicisecurities.com
Sneha Agarwal
sneha.agarwal@icicisecurities.com

Bharti Infratel (BHAINF)

₹ 366

Healthy operating metrics…

- Revenues (on a proportionate consolidation basis) came in at ₹ 3520.4 crore, up 10.6% YoY and 3.5% QoQ, slightly higher than our estimate of ₹ 3457.7 crore led by higher-than-expected energy revenues. The co-locations addition at 5672 was largely in line with our estimates of 5509, as the company remains a beneficiary of Jio's incremental tower addition and ended the year with total co-locations of 210606 (average tenancy ratio at 2.30x, up 2.7% QoQ)
- EBITDA came in at ₹ 1572.3 crore (I-direct estimate of ₹ 1515.7 crore), up 8.5% YoY, with EBITDA margins at 44.7%, up 114 bps QoQ, higher-than-expected at 43.8% boosted by higher-than-expected energy margins, which came in at 10.2% (our estimate 5.5%)
- The company reported a PAT of ₹ 596.6 crore vs. our expectation of ₹ 678.9 crore. The lower PAT under Ind-AS was due to the impact of valuing investments at fair value, and resultant higher tax rates

Impact of Idea-Vodafone merger to be lower than anticipated

The Idea, Vodafone merger raises concerns on tenancy exits & consequent lower growth ahead. We believe the combined entity would aim to attain the subscriber/sites ratio of market leader Airtel (possibly higher given their superior spectrum portfolio), which has been the most efficient of the top three players. While the combined entity would be rationalising their network duplication (by up to 18-20%), we believe they would refrain from exiting their tenancies from Indus wherein their (Idea & Vodafone) interest lies. Therefore, majority of the tenancy rationalisation impact would be seen at Bharti Infratel standalone. We also understand that rather than going for exits, the rationalisation would entail non-renewal of some tenancies when they come up for renewal in FY20-21.

4G expansion boosts tenancy additions during quarter

Similar to Q3FY17, Infratel continues to see incremental addition by incumbents and Jio, boosting tenancy adds in Q4FY17. Co-locations addition was at 5672 with average tenancy ratio at 2.30x (up 2.7% QoQ). We note that rental freeze, operators preferring loading as the first mode of data network expansion is likely to have an impact on rental revenues growth along with rationalisation due to consolidation. Consequently, for the next two years, expected rental revenue growth would be lower. We build in 1.8%, 5.4% increase in towers, tenancy in FY17-19E to 94021 towers and 273754 co-locations, respectively. We expect rental revenues to grow at 7.5% CAGR in FY17-19E to ₹ 9741.4 crore.

Healthy metrics but growth uncertainty a concern

BIL remains a key play on rising demand for telecom towers emanating from increased 4G rollout post the spectrum auction and to stay ahead of the curve in terms of service standards in the times of cut-throat competition. We highlight that Infratel is better placed from an operating matrix, balance sheet, return ratios and cash flow/dividend yield perspective than telecom service operators who are struggling with huge leverage and increased competition. However, the imminent consolidation will put pressure on the form of non-renewals as the Idea-Vodafone combine aims to attain efficiency by reducing their network duplication. Moreover, rental freeze as per the new MSA also restricts revenue growth in the next two years. Therefore, we assign a **HOLD** recommendation to the stock with a target price of ₹ 400. Possible strategic sale of Airtel stake/acquisition of Idea/Vodafone's stake in Indus could be an upside risk.

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	Q3FY17	YoY (%)	QoQ (%)	Comments
Revenue	3,520.4	3,457.7	3,181.7	3,400.7	10.6	3.5	The topline beat was owing to higher energy revenues, which came in at ₹ 1337 crore vs. our estimate of ₹ 1277 crore
Other Income	41.4	30.0	43.3	35.7	-4.4	16.0	
Employee Expenses	115.7	122.0	108.8	120.4	6.3	-3.9	
Power and Fuel	1,200.4	1,207.2	1,038.6	1,193.8	15.6	0.6	
Rent	302.9	299.3	267.7	293.2	13.2	3.3	
Other Expenses	100.2	85.8	88.6	87.4	13.1	14.6	
Repairs and Maintenance	228.9	227.7	228.5	225.8	0.2	1.4	
EBITDA	1,572.3	1,515.7	1,449.5	1,480.1	8.5	6.2	The margins were higher owing to higher energy margins of 10.2% vs. our estimates of 5.5%
EBITDA Margin (%)	44.7	43.8	45.6	43.5	-90 bps	114 bps	
Depreciation	568.4	571.3	569.7	566.4	-0.2	0.4	
Interest	28.7	-70.0	-102.9	-94.7	NM	NM	The interest cost has now been restated as net interest cost and also included the MTM impact of change in fair value
Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	420.0	365.6	307.6	423.7	36.5	-0.9	
PAT	596.6	678.9	718.4	620.4	-17.0	-3.8	The lower PAT under Ind-AS was due to the impact of valuing investments at fair value and higher tax rate
Towers (Consolidated)	90,646	90,802	88,808	90,255	2.07	0.43	
Tenancy Ratio (x) (Consolidated)	2.30	2.29	2.19	2.24	5.0	2.5	The co-locations addition at 5672 was largely in line with our estimates of 5509
Sharing revenue per tower p.m	79,255	80,277	76,602	78,407	3.46	1.08	

Source: Company, ICICIdirect.com Research

Change in estimates

	FY18E			FY19E	
(₹ Crore)	Old	New	% Change	Introduced	Comments
Revenue	14,205.5	14,485.5	2.0	15,191.0	We have built in exits/non renewal led by Idea- Vodafone consolidation from FY20 onwards and FY19E numbers (introduced now) will have no knee jerk impact
EBITDA	6,327.0	6,384.3	0.9	6,843.0	
EBITDA Margin (%)	44.5	44.1	-47 bps	45.0	
PAT	3,012.1	3,059.6	1.6	3,305.4	
EPS (₹)	16.3	16.5	1.6	17.9	

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier	
	FY16	FY17	FY18E	FY19E	FY17E	FY18E
Bharti Infratel Standalone						
Towers (No.)	38,458	39,099	40,046	41,016	39,133	40,081
Tenancy Ratio (x)	2.08	2.20	2.33	2.42	2.18	2.29
Total Co-locations (No.)	81,632	89,263	95,081	101,312	87,670	93,426
Sharing revenue per tower p.m	76,000	81,001	87,063	91,966	81,110	85,474
Sharing Revenue (₹ Crore)	3,449.8	3,769.3	4,134.3	4,472.9	3,776.1	4,062.5
Indus Towers						
Towers (No.)	119,881	122,730	126,203	126,203	123,020	126,501
Tenancy Ratio (x)	2.22	2.30	2.40	2.47	2.32	2.42
Total Co-locations (No.)	270,006	288,913	309,130	315,338	292,318	312,646
Sharing revenue per tower p.m	73,028	75,503	80,046	82,829	75,787	80,249
Sharing Revenue (₹ Crore)	10,333.1	10,990.8	11,955.7	12,543.9	11,045.3	12,014.3
Bharti Infratel Consolidated						
Towers (No.)	88,808	90,646	93,051	94,021	90,802	93,212
Tenancy Ratio (x)	2.16	2.26	2.37	2.45	2.26	2.36
Total Co-locations (No.)	195,035	210,606	224,915	233,754	210,443	224,737
Sharing revenue per tower p.m	74,513	77,930	83,069	86,788	78,137	82,498
Sharing Revenue (₹ Crore)	7,810.5	8,390.9	9,155.7	9,741.4	8,420.5	9,108.5

Source: Company, ICICIdirect.com Research

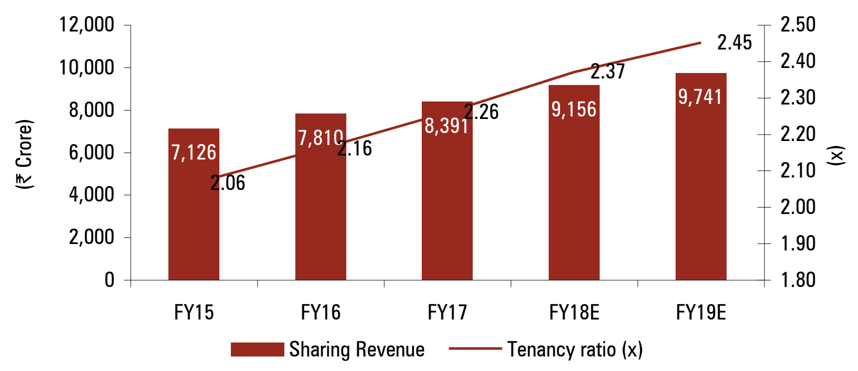
Company Analysis

Rental revenues to grow at 7.5% CAGR over FY17-19E

With robust growth in data volumes, there are an increasingly higher number of tenants on the company's network. The average tenancy at the consolidated level has grown from 1.90x in FY12 to 2.3x by FY17 leading to 22.6% CAGR in FY12-17 in sharing revenues from ₹ 3099.9 crore in FY12 to ₹ 8432.6 crore in FY17. We highlight that Bharti Infratel is a leading telecom tower infrastructure player with 90646 towers (including its proportionate stake in Indus) across 22 circles.

We note that rental freeze and operators preferring loading as the first mode of data network expansion is likely to have an impact on the rental revenues growth. Furthermore, consolidation owing to merger of Idea and Vodafone could put pressure on exits/non renewals, albeit in FY20-21E as the combined entity moves towards network rationalisation. Consequently, for the next two or three years, the expected rental growth would be lower than historical rental revenue growth. We build in 1.8% & 5.4% increase in towers & tenancy over FY17-19E to 94021 towers and 233754 co-locations, respectively. Consequently, we expect rental revenues to grow at 7.5% CAGR in FY17-19E to ₹ 9741.4 crore.

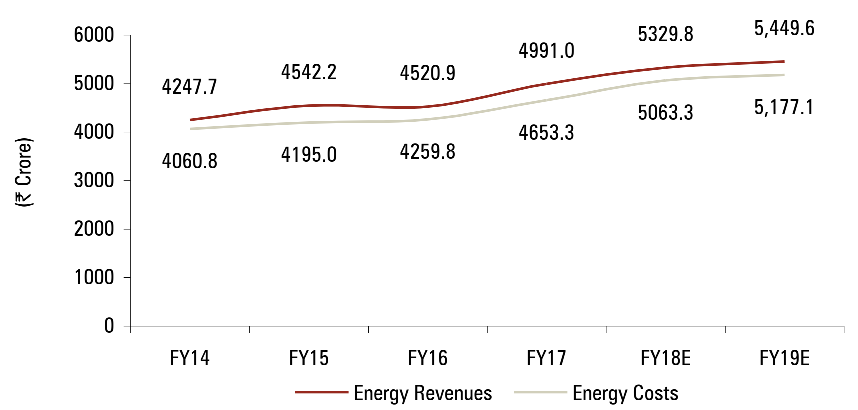
Exhibit 1: Bharti Infratel consolidated tenancy, sharing revenues



Source: Company, ICICIdirect.com Research

As per management guidance that energy margins would be in the range of 3-5%, we have built in energy margins of ~5%, going ahead.

Exhibit 2: Energy revenues, energy costs trend



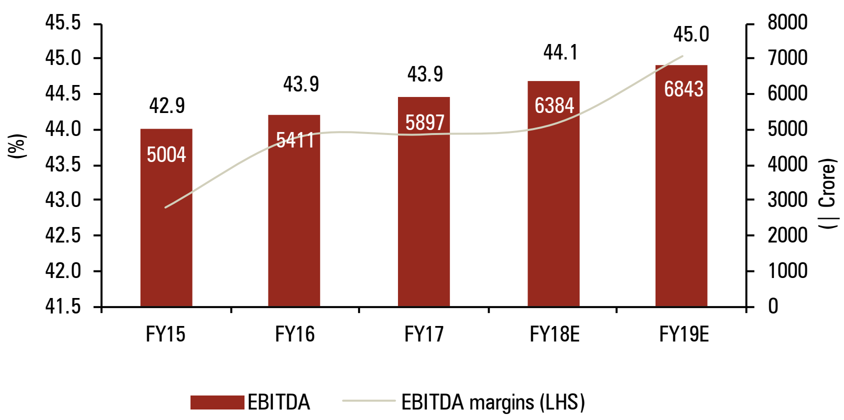
Source: Company, ICICIdirect.com Research

EBITDA margin to grow but at slower pace, to touch 45% by FY19E

We note that BIL is a play on the operating benefits that would flow in with increasing tenancies. As a new tenant comes on board, rentals multiply whereas costs do not have a linear increase. Loading revenues are also highly margin accretive and would flow in directly into margins.

However, as there is currently higher tower requirement in cities, which command a higher rental expense, growth in EBITDA margins would be slower than expected earlier. Furthermore, currently, operators prefer loading as the first mode of data network expansion, which has slowed down operating leverage benefits. Consequently, the management has also sounded cautious on a sharp expansion in margins, going forward. We have built in EBITDA margins of 44.1% and 45% in FY18E and FY19E respectively.

Exhibit 3: EBITDA, EBITDA margins trend



Source: Company, ICICIdirect.com Research

Other Highlights

- During the year, the company paid an interim dividend of ₹ 12/share and final dividend of ₹ 4/share, resulting in overall dividend payout of ₹ 16/share (dividend yield of 4.4%). The company also reiterated its policy of 60-80% of overall payout, going ahead
- The company reiterated that the MSA rental freeze would result in an impact in the first two years but would be neutralised post that. Nearly 75% of tenancies have been moved to the new MSAs and the company largely incorporated the revenue hit of ₹ 180 crore during the year
- The company continued to express its interest in the Indus stake Vodafone-Idea are looking to divest (as with other opportunities that it seeks for growth) but denied any ongoing discussions at this point in time
- The management remains bullish on the emanating business opportunities from its smart city project in Bhopal, which is a BOOT project and is targeting an IRR of 13-16% from the project. The company has expressed interest in undertaking activities in the optic fibre, small cells, in-building solutions for incremental revenue growth and would be keen on undertaking projects for other upcoming smart cities
- As per the company, Jio has formed a meaningful part of gross addition of total ~7060 tenancies during the quarter. The quarter also entailed exits of 1388 tenancies owing to exit of fringe players

Transition to Ind-AS

With the new Ind-AS accounting to be followed, there have been a couple of changes.

- The company has done away with revenue equalisation accounting and would recognise only the actual revenue billed
- Revenues from Indus Towers are now accounted on "equity basis" (profit from JV) contrary to the proportionate consolidation followed earlier
- Investments would be accounted on a mark-to mark basis
- The company would also report the interest cost as net of interest income and interest expenses vs. the interest income as "other income" and cost in the interest cost earlier.

We have incorporated the above-mentioned changes except MTM impact on investment, which is a function of market performance and cannot be modelled.

We, however, would continue to estimate and publish numbers/ratios based on proportionate consolidation of Indus as we believe that it gives a better a picture on consolidated operating performance. Moreover, the company has also indicated that it would continue to provide an operating matrix even on a proportionate basis, which should enable us to model the same on a sustainable basis.

On a reported basis, the company's reported topline and margins would exclude Indus numbers based on equity method while it would be part of profit from associates/JV. The income statement prepared under "equity method" is given below.

Exhibit 4: Income statement prepared under equity method

(Year-end March)	FY16	FY17E	FY18E	FY19E
Total operating Income	5,558.3	6,084.7	6,587.2	6,980.9
Growth (%)		9.5	8.3	6.0
Other Income	110.4	71.1	60.0	60.0
Total Revenue	5,668.7	6,155.8	6,647.2	7,040.9
Rent	279.8	318.4	355.4	386.3
Employee Expenses	257.8	274.6	277.0	293.5
Power and Fuel	1,990.1	2,114.3	2,354.7	2,407.6
Other Expenses	150.3	143.9	210.8	223.4
Repairs & Maintenance	392.0	408.4	426.2	440.7
Total Operating Expenditure	3,070.0	3,259.6	3,624.0	3,751.6
EBITDA	2,488.3	2,825.1	2,963.1	3,229.3
Growth (%)		13.5	4.9	9.0
Depreciation	1,155.0	1,165.7	1,152.4	1,195.9
Interest	-428.5	-654.2	-560.0	-560.0
Other Income	110.4	71.1	60.0	60.0
PBT	1,872.2	2,384.7	2,430.7	2,653.4
Profit from associates	1,106.9	1,195.0	1,438.3	1,535.5
Total Tax	731.7	832.7	809.4	883.6
PAT	2,247.4	2,747.0	3,059.6	3,305.4
Growth (%)		22.2	11.4	8.0
EPS (₹)	11.8	14.9	16.5	17.9

Source: Company, ICICIdirect.com Research

Valuation

BIL remains a key play on rising demand for telecom towers emanating from increased 4G rollout post the spectrum auction though incumbents currently have resorted to holding higher spectrum as well preferring loading as the first mode of data network expansion. We highlight that Infratel is better placed from an operating matrix, balance sheet, return ratios and cash flow/dividend yield perspective than telecom service operators who are struggling with huge leverage and increased competition. However, the imminent consolidation will put pressure in the form of non renewals as Idea-Vodafone combine aims to attain efficient by reducing their network duplication. Moreover, rental freeze as per the new MSA also restricts the revenue growth over the next two years. Therefore, we assign a **HOLD** recommendation with a target price of ₹ 400. Possible strategic sale of Airtel stake/ acquisition of Idea/Vodafone's stake in Indus could be an upside risk.

Possible strategic sale of Airtel stake/ acquisition of Idea/Vodafone's stake in Indus could be an upside risk. The company's intent on diversification into optic fibre business along with foray into additional services such as Smart City projects, In-building installations and B2B Wi-Fi hotspots are positive signals. However, we believe benefits from the same would accrue over a longer time horizon of three to five years.

Exhibit 5: DCF assumptions

Particulars	Value (₹ crore)
EV of standalone business	32,957.4
EV of Indus Towers	109,196.5
Contribution of BIL (42%)	45,862.5
Indus contribution post holding discount (20%)	36,690.0
Total Enterprise valuation	69,647.4
Less net debt	-4,244.6
Target market capitalisation	73,892.1
Number of shares	185.0
Per share value (₹)	**400**
Upside potential (%)	**8%**

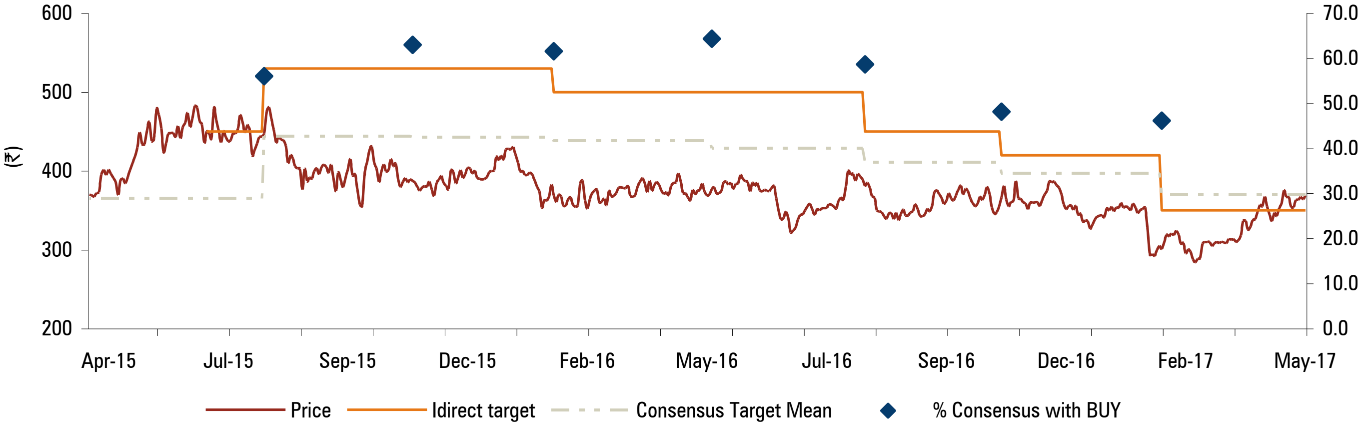
Source: Company, ICICIdirect.com Research

Exhibit 6: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	12331.3	5.7	11.8	12.6	30.9	11.9	12.3	15.7
FY17	13423.6	8.9	14.9	25.3	24.6	11.1	17.7	20.1
FY18E	14485.5	7.9	16.5	11.4	22.1	10.1	19.9	22.8
FY19E	15191.0	4.9	17.9	8.0	20.5	9.2	21.4	24.9

Source: Company, ICICIdirect.com Research

Recommendation History Versus Consensus Estimates



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
FY13	BIL comes out with an IPO and raises about ₹ 4118 crore (comprising public issue and subscription by anchor investors)
Mar-14	Reaches high tenancy ratio of 1.99x at consolidated level
FY14	The company declares dividends of about ₹ 4.4 per share for the year ended FY14
Jul-14	The parent company Bharti Airtel starts the process of selling loss-making African towers, removing the overhang on the stock as there was speculation on Infratel
FY15	The company declares impressive dividend of ₹ 11 per share, which amounted to ₹ 2477 crore as total dividend payouts
FY16	Announces dividend of ₹ 3 per share for FY16 and also announces a buy-back for an amount not exceeding ₹ 2000 crore at a maximum price of ₹ 450 per share resulting in a share buy-back of 4.44 crore shares

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bharti Enterprises, Ltd.	29-Mar-17	50.33	930.9	-400.0
2	Nettle Infrastructure Investments, Ltd.	29-Mar-17	11.32	209.4	209.4
3	Fidelity Management & Research Company	31-Mar-17	1.43	26.5	-11.0
4	Comgest S.A.	31-Jan-17	1.42	26.2	0.0
5	Matthews International Capital Management, L.L.C.	31-Dec-16	0.88	16.3	6.5
6	The Vanguard Group, Inc.	31-Mar-17	0.87	16.2	0.1
7	BlackRock Institutional Trust Company, N.A.	31-Mar-17	0.82	15.2	0.9
8	Aberdeen Asset Management (Asia) Ltd.	28-Feb-17	0.61	11.2	0.0
9	Harding Loevner LP	28-Feb-17	0.58	10.6	-0.3
10	Carmignac Gestion	31-Mar-17	0.40	7.3	7.3

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	71.70	71.70	71.96	71.96	61.65
FII	25.52	25.09	25.22	24.93	34.34
DII	0.74	0.86	0.63	1.19	1.71
Others	2.04	2.35	2.19	1.92	2.30

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Nettle Infrastructure Investments, Ltd.	+1,052.40M	+209.42M	Bharti Enterprises, Ltd.	-2,010.16M	-400.00M
Carmignac Gestion	+36.92M	+7.35M	Fidelity Management & Research Company	-55.12M	-10.97M
Matthews International Capital Management, L.L.C.	+32.98M	+6.52M	Capital World Investors	-43.24M	-8.61M
Capital Research Global Investors	+29.27M	+5.82M	Wellington Management Company, LLP	-30.78M	-6.12M
Handelsbanken Asset Management	+7.54M	+1.50M	Norges Bank Investment Management (NBIM)	-30.58M	-6.05M

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement			₹ Crore	
(Year-end March)	FY16	FY17	FY18E	FY19E
Total operating Income	12,331.3	13,423.6	14,485.5	15,191.0
Growth (%)	5.7	8.9	7.9	4.9
Other Income	204.7	145.6	140.0	140.0
Total Revenue	12,536.0	13,569.2	14,625.5	15,331.0
Rent	1,032.2	1,162.8	1,272.0	1,332.5
Employee Expenses	428.1	467.8	474.3	496.3
Power and Fuel	4,259.7	4,653.3	5,063.3	5,177.1
Other Expenses	294.4	326.9	338.4	349.4
Repairs & Maintenance	906.3	915.9	953.3	992.7
Total Operating Expenditure	6,920.7	7,526.7	8,101.2	8,348.0
EBITDA	5,410.6	5,896.9	6,384.3	6,843.0
Growth (%)	8.1	9.0	8.3	7.2
Depreciation	2,223.6	2,262.5	2,337.2	2,427.4
Interest	-184.8	-441.3	-400.0	-400.0
Other Income	204.7	145.6	140.0	140.0
PBT	3,576.5	4,221.2	4,587.1	4,955.6
Profit from associates	0.0	0.0	0.0	0.0
Total Tax	1,329.2	1,474.2	1,527.5	1,650.2
PAT	2,247.4	2,747.0	3,059.6	3,305.4
Growth (%)	12.8	22.2	11.4	8.0
EPS (₹)	11.8	14.9	16.5	17.9

Source: Company, ICICIdirect.com Research

Cash flow statement			₹ Crore	
(Year-end March)	FY16	FY17	FY18E	FY19E
Profit after Tax	2,247.4	2,747.0	3,059.6	3,305.4
Add: Depreciation	2,223.6	2,262.5	2,337.2	2,427.4
Add: Interest Paid	(184.8)	(441.3)	(400.0)	(400.0)
(Inc)/dec in Current Assets	836.3	-369.6	-64.5	-4.3
Inc/(dec) in CL and Provisions	-2,314.6	3,038.8	465.8	309.4
CF from operating activities	2,807.9	7,237.4	5,398.1	5,637.9
(Inc)/dec in Investments	1,327.3	-1,066.2	-800.0	-1,300.0
(Inc)/dec in Fixed Assets	-1,387.4	-1,950.0	-1,956.0	-1,534.2
Others	1,265.4	-100.4	-28.0	-18.6
CF from investing activities	1,205.3	-3,116.6	-2,784.1	-2,852.9
Issue/(Buy back) of Equity	2.9	-47.1	0.0	0.0
Inc/(dec) in loan funds	-638.5	-629.9	-300.0	-144.7
Dividend paid & dividend tax	-880.4	-2,663.4	-2,885.4	-2,885.4
Add: Interest Paid	(184.8)	(441.3)	(400.0)	(400.0)
Others	-33.2	-1,233.2	500.0	500.0
CF from financing activities	-1,734.0	-5,014.9	-3,085.4	-2,930.1
Net Cash flow	2,279.2	-894.1	-471.3	-145.0
Opening Cash	912.0	3,191.1	2,297.0	1,825.7
Closing Cash	3,191.1	2,297.0	1,825.7	1,680.6

Source: Company, ICICIdirect.com Research

Balance sheet			₹ Crore	
(Year-end March)	FY16	FY17	FY18E	FY19E
Liabilities				
Equity Capital	1,896.7	1,849.6	1,849.6	1,849.6
Reserve and Surplus	16,329.5	13,636.9	13,511.1	13,631.1
Total Shareholders funds	18,226.2	15,486.5	15,360.7	15,480.7
Total Debt	1,704.5	1,735.0	1,435.0	1,290.3
Deferred Tax Liability	920.1	715.0	715.0	715.0
Others	777.9	842.9	842.9	842.9
Total Liabilities	21,628.8	18,779.4	18,353.6	18,328.9
Assets				
Gross Block	28,670.7	30,588.4	32,544.5	34,078.7
Accumulated Depreciation	14,693.3	16,955.8	19,293.0	21,720.4
Net Block	13,977.4	13,632.6	13,251.4	12,358.3
Capital WIP	224.6	256.8	256.8	256.8
Total Fixed Assets	14,201.9	13,889.4	13,508.2	12,615.1
Investments	4,554.9	5,621.1	6,421.1	7,721.1
Inventory	0.0	0.0	0.0	0.0
Debtors	191.6	217.9	235.1	246.6
Loans and Advances	1,115.7	1,354.9	1,389.0	1,383.8
Other Current Assets	418.7	522.7	535.8	533.8
Cash	3,191.1	2,297.0	1,825.7	1,680.6
Total Current Assets	4,917.0	4,392.5	3,985.6	3,844.9
Creditors	562.8	679.3	733.0	768.7
Provisions	551.2	610.5	658.8	690.9
Other Current Liabilities	1,735.1	4,598.0	4,961.7	5,203.4
Total Current Liabilities	2,849.0	5,887.8	6,353.6	6,663.0
Net Current Assets	2,068.0	-1,495.3	-2,367.9	-2,818.1
Others Assets	803.9	764.2	792.2	810.9
Application of Funds	21,628.8	18,779.4	18,353.6	18,328.9

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17	FY18E	FY19E
Per share data (₹)				
EPS	11.8	14.9	16.5	17.9
Cash EPS	23.6	27.1	29.2	31.0
BV	96.1	83.7	83.0	83.7
DPS	4.6	14.4	15.6	15.6
Cash Per Share	16.8	12.4	9.9	9.1
Operating Ratios				
EBITDA Margin (%)	43.9	43.9	44.1	45.0
PAT Margin (%)	18.2	20.5	21.1	21.8
Debtor days	5.7	5.9	5.9	5.9
Creditor days	16.7	18.5	18.5	18.5
Return Ratios (%)				
RoE	12.3	17.7	19.9	21.4
RoCE	15.7	20.1	22.8	24.9
RoIC	20.3	26.0	31.2	38.1
Valuation Ratios (x)				
P/E	30.9	24.6	22.1	20.5
EV / EBITDA	11.9	11.1	10.1	9.2
Market Cap / Sales	5.5	5.0	4.7	4.5
Price to Book Value	3.8	4.4	4.4	4.4
Solvency Ratios				
Debt/EBITDA	0.3	0.3	0.2	0.2
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	0.6	0.4	0.3	0.3
Quick Ratio	0.6	0.4	0.3	0.3

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Telecom)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY16	EPS (₹) FY17E	EPS (₹) FY18E	P/E (x) FY16	P/E (x) FY17E	P/E (x) FY18E	EV/EBITDA (x) FY16	EV/EBITDA (x) FY17E	EV/EBITDA (x) FY18E	RoCE (%) FY16	RoCE (%) FY17E	RoCE (%) FY18E	RoE (%) FY16	RoE (%) FY17E	RoE (%) FY18E
Bharti Airtel (BHAAIR)	345	410	Buy	138,010	13.7	9.7	4.6	25.2	35.7	74.2	6.6	6.7	7.4	9.4	8.3	6.9	6.1	6.6	2.8
Bharti Infratel (BHAINF)	366	400	Hold	67,677	11.8	14.9	16.5	30.9	24.637	22.12	11.9	11.1	10.1	15.7	20.1	22.8	12.3	17.7	19.9
Idea Cellular (IDECEL)	87	98	Hold	31,335	8.6	-2.1	-7.1	10.2	NM	NA	5.5	8.5	10.8	9.0	2.9	0.3	12.0	-3.0	-11.3
Sterlite Tech. (STETEC)	157	175	Buy	6,256	3.9	5.1	6.5	40.4	31.1	NA	16.4	14.5	10.6	16.1	16.1	21.2	20.4	22.9	24.3
Tata Comm. (TATCOM)	653	650	Hold	18,619	-7.4	43.3	16.9	NM	15.1	38.7	10.3	10.8	9.1	5.1	6.1	8.9	NA	17.2	26.2

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: >15%/20% for large caps/midcaps, respectively, with high conviction;
Buy: >10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

We /I, Bhupendra Tiwary MBA, Sneha Agarwal, MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Bhupendra Tiwary MBA, Sneha Agarwal, MBA, Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Bhupendra Tiwary MBA, Sneha Agarwal, MBA, Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.