

July 25, 2017

Bharti Infratel (BHAINF)

₹ 418

Consolidation led uncertainty remains...

- Revenues (on a proportionate consolidation basis) came in at ₹ 3523.9 crore, up 9.8% YoY and flattish QoQ, slightly lower than our estimates on ₹ 3543.9 crore owing to lower energy revenues that was at ₹ 1264.4 crore vs. our estimate of ₹ 1302 crore. Core rental revenues grew 9.8% YoY to ₹ 2259.5 crore. *The co-locations addition at 7795 was much ahead of our estimates of 5299, as the company remained a beneficiary of Jio's incremental tenancy addition along with key incumbents 4G expansion led tenancy demand.* The average tenancy ratio was at 2.36x (up 2.7% QoQ)
- EBITDA came in at ₹ 1575 crore (I-direct estimate of ₹ 1545 crore), up 12.9% YoY, with EBITDA margin at 44.7%, higher than expected at 43.6% boosted by higher-than-expected energy margins (4.7% vs. estimated 4%) and lower other expenses
- PAT came in at ₹ 663.9 crore vs. our expectation of ₹ 739.6 crore. The lower PAT under Ind-As was lower due to the impact of valuing investments at fair value, and resultant higher tax rates

Another strong quarter led by 4G network expansion

Infratel continues to witness healthy tenancy addition by Jio as well as leading incumbents, boosting tenancy adds during the quarter. The co-locations addition was at 7795 with average tenancy ratio at 2.36x (up 2.7% QoQ). While the rental freeze and operators preferring loading as the first mode of data network expansion continues to partially restrict the rental revenues growth, the healthy tenancy addition bodes well for the company. We build in 1.6% & 7% increase in towers & tenancy over FY17-19E to 93606 towers and 240992 co-locations, respectively. We expect rental revenues to grow at 9.3% CAGR in FY17-19E to ₹ 10,065 crore. Note that we expect Vodafone-Idea's merger led exits to hit from FY20 onwards (merger expected to complete by CY18 end). Therefore, a quicker development remains a downside risk to our estimates.

Margins to witness expansion led by strong traction in core revenues

During Q1FY18, Infratel reported EBITDA margins at 44.7%, up 125 bps, boosted by higher-than-expected energy margins (4.7% vs. estimated 4%) and lower other expenses. Stronger traction in core rental revenues, which have a superior margin profile of ~66-67%, is likely to aid EBITDA margins expansion, albeit lower than anticipated, going ahead. We build in EBITDA margins of 45% and 45.6% in FY18E and FY19E, respectively, vs. margins of 43.9% reported in FY17.

Uncertainty to weigh on near term growth; maintain HOLD

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, imminent consolidation is likely put pressure in the form of non renewals/exits of tenancy as the Idea-Vodafone combine aims to attain efficient by reducing their network duplication. While Jio expansion provides a near term fillip, loading would remain the key mode of data network expansion by incumbents, thereby restricting growth, going ahead. Moreover, a sharp run-up in the stock price of ~40% in the last five months also restricts the upside. Therefore, we maintain our **HOLD** recommendation with a target price of ₹ 410. Possible strategic sale of Airtel stake/acquisition of Idea/Vodafone's stake in Indus and/or subsequent improvement in capital structure through leverage could be an upside risk.

Rating matrix		
Rating	:	Hold
Target	:	₹ 410
Target Period	:	12 months
Potential Upside	:	-2%

What's changed?	
Target	Changed from ₹ 400 to ₹ 410
EPS FY17E	Changed from ₹ 16.7 to ₹ 16.4
EPS FY18E	Changed from ₹ 18.2 to ₹ 18.1
Rating	Unchanged

Quarterly performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	3,523.9	3,210.6	9.8	3,520.4	0.1
EBITDA	1,575.0	1,394.7	12.9	1,572.3	0.2
EBITDA (%)	44.7	43.4	125 bps	44.7	3 bps
PAT	663.9	756.2	(12.2)	596.6	11.3

Key financials				
₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	12,331	13,424	14,533	15,284
EBITDA	5,411	5,897	6,534	6,969
Net Profit	2,247	2,747	3,035	3,347
EPS (₹)	11.8	14.9	16.4	18.1

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	35.3	28.1	25.5	23.1
Target P/E	34.6	27.6	25.0	22.6
EV / EBITDA	13.7	12.8	11.4	10.4
P/BV	4.3	5.0	5.0	5.0
RoNW	12.3	17.7	19.8	21.6
RoCE	15.7	20.1	23.4	25.2

Stock data	
	Amount
Market Capitalization	77,267.0
Total Debt (FY17)	1,704.5
Cash and Investments	4,919.4
EV	74,052.2
52 week H/L	414/ 283
Equity capital	1,849.6
Face value	10.0

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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	Q4FY17	YoY (%)	QoQ (%)	Comments
Revenue	3,523.9	3,543.9	3,210.6	3,520.4	9.8	0.1	The topline miss was owing to lower energy revenues, which came in at ₹ 1264.4 crore vs. our estimate of ₹ 1302 crore. Core rental revenues grew 9.8% YoY to ₹ 2259.5 crore
Other Income	47.4	35.0	35.2	41.4	34.9	14.5	
Employee Expenses	121.6	116.3	114.6	115.7	6.1	5.1	
Power and Fuel	1,204.4	1,250.3	1,114.4	1,200.4	8.1	0.3	
Rent	311.1	307.9	279.6	302.9	11.3	2.7	
Other Expenses	78.0	93.4	77.3	100.2	0.9	-22.2	
Repairs and Maintenance	233.8	231.0	230.0	228.9	1.7	2.1	
EBITDA	1,575.0	1,545.0	1,394.7	1,572.3	12.9	0.2	The margins were higher boosted by higher-than-expected energy margins (4.7% vs. estimated 4%) and lower other expenses
EBITDA Margin (%)	44.7	43.6	43.4	44.7	125 bps	3 bps	
Depreciation	590.5	571.1	564.8	568.4	4.5	3.9	
Interest	-62.7	-100.0	-128.1	28.7	NM	NM	Interest cost has now been restated as net interest cost and also included the MTM impact of a change in fair value
Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	430.7	369.3	236.9	420.0	81.8	2.5	
PAT	663.9	739.6	756.2	596.6	-12.2	11.3	Lower PAT under Ind-As was due to the impact of valuing investments at fair value and consequent higher tax rate
Towers (Consolidated)	90,837	91,021	89,352	90,646	1.66	0.21	
Tenancy Ratio (x) (Consolidated)	2.36	2.35	2.20	2.30	7.4	2.7	The co-locations addition at 7795 was much ahead of our estimates of 5299 owing to Jio's incremental tenancy addition along with key incumbents 4G expansion led tenancy demand
Sharing revenue per tower p.m	83,001	82,256	76,983	79,255	7.82	4.73	

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	14,476.0	14,533.3	0.4	15,180.5	15,283.9	0.7	While we have increased our rental revenues estimates, we have reduced the energy revenues estimates based on Q1FY18 performance
EBITDA	6,426.3	6,534.2	1.7	6,911.4	6,968.9	0.8	
EBITDA Margin (%)	44.4	45.0	57 bps	45.5	45.6	7 bps	Margin upgrade is owing to higher rental revenues
PAT	3,097.8	3,035.4	-2.0	3,362.1	3,347.1	-0.4	
EPS (₹)	16.7	16.4	-2.0	18.2	18.1	-0.4	

Source: Company, ICICIdirect.com Research

Assumptions

	FY16		Current		Earlier		
	FY16	FY17	FY18E	FY19E	FY18E	FY19E	
Bharti Infratel Standalone							
Towers (No.)	38,458	39,099	39,921	40,888	39,926	40,893	
Tenancy Ratio (x)	2.08	2.20	2.38	2.52	2.33	2.42	
Total Co-locations (No.)	81,632	89,263	98,583	105,078	94,853	101,127	
Sharing revenue per tower p.m	76,000	81,001	90,181	95,285	87,641	92,691	
Sharing Revenue (₹ Crore)	3,449.8	3,769.3	4,275.7	4,619.9	4,155.5	4,494.8	
Indus Towers							
Towers (No.)	119,881	122,730	125,519	125,519	125,952	125,952	
Tenancy Ratio (x)	2.22	2.30	2.43	2.54	2.40	2.48	
Total Co-locations (No.)	270,006	288,913	314,084	323,604	308,708	314,964	
Sharing revenue per tower p.m	73,028	75,503	82,343	86,073	80,684	83,565	
Sharing Revenue (₹ Crore)	10,333.1	10,990.8	12,265.0	12,964.6	12,038.8	12,630.3	
Bharti Infratel Consolidated							
Towers (No.)	88,808	90,646	92,639	93,606	92,826	93,793	Lowered our tower addition estimates based on Q1 performance
Tenancy Ratio (x)	2.16	2.26	2.41	2.53	2.37	2.45	
Total Co-locations (No.)	195,035	210,606	230,499	240,992	224,510	233,412	We now build in higher tenancy in FY18E led by incremental demand from Jio's expansion
Sharing revenue per tower p.m	74,513	77,930	85,722	90,070	83,680	87,518	
Sharing Revenue (₹ Crore)	7,810.5	8,390.9	9,427.0	10,065.1	9,211.8	9,799.5	

Source: Company, ICICIdirect.com Research

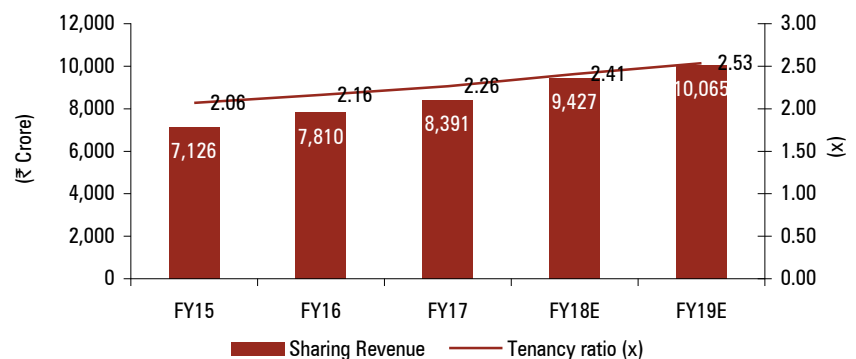
Company Analysis

Rental revenues to grow at 9.3% 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.

Infratel continues to witness healthy tenancy addition from Jio as well as leading incumbents, boosting the tenancy adds during the quarter. The co-locations addition was at 7795 with average tenancy ratio at 2.36x (up 2.7% QoQ). While the rental freeze and operators preferring loading as the first mode of data network expansion continues to partially restrict the rental revenues growth, the healthy tenancy addition bodes well for the company. We build in 1.6% & 7% increase in towers & tenancy over FY17-19E to 93606 towers and 240992 co-locations, respectively. We expect rental revenues to grow at 9.3% CAGR in FY17-19E to ₹ 10,065 crore. Note that we expect Vodafone-Idea's merger led exits to hit from FY20 onwards (merger expected to be complete by CY18 end). Therefore, quicker development remains a downside risk to our estimates.

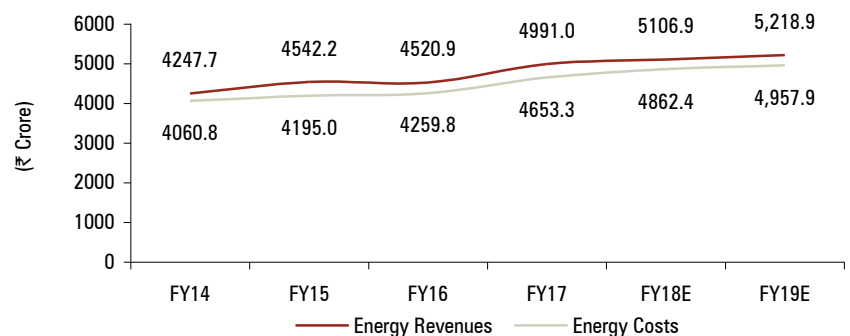
Exhibit 1: Bharti Infratel consolidated tenancy, sharing revenues



Source: Company, ICICIdirect.com Research

As per management guidance that 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



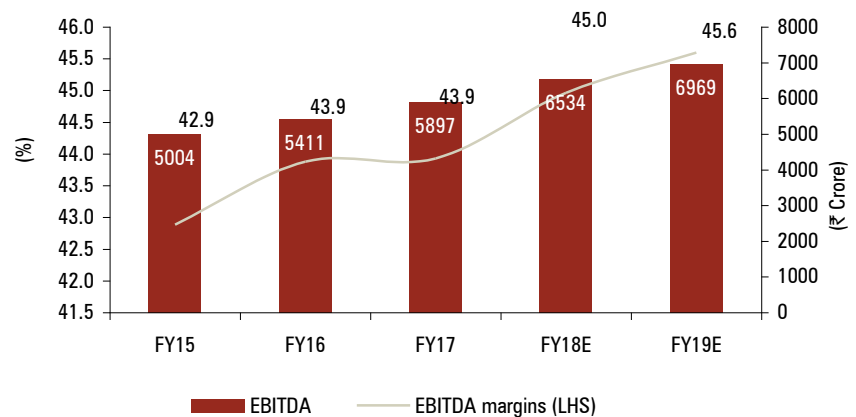
Source: Company, ICICIdirect.com Research

Margins expansion led by robust rental revenues growth

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 see a linear increase. Loading revenues are also highly margin accretive and would flow in directly into margins.

During Q1FY18, Infratel reported EBITDA margins at 44.7%, up 125 bps, boosted by higher-than-expected energy margins (4.7% vs. estimated 4%) and lower other expenses. Stronger traction in core rental revenues, which have a superior margins profile of ~66-67%, is likely to aid the EBITDA margin expansion, going ahead. We build in EBITDA margins of 45.0% and 45.6% in FY18E and FY19E, respectively, vs. margins of 44.7% reported in FY17.

Exhibit 3: EBITDA, EBITDA margins trend



Source: Company, ICICIdirect.com Research

Other Highlights

- The management remains bullish on the emanating business opportunities from its smart city project in Bhopal, which has been rolled out. The revenues would start accruing from FY19 onwards
- The quarter also entailed largely permitted exits of 1048 tenancies undertaken by operator in order to re-calibrate their network
- Infratel indicated that there is a scope for gearing of up to 2.5-3x EBITDA while refraining from commenting on the status of discussion for buying Idea-Vodafone stake in Indus
- It remained confident that exit penalties along with commitment for further expansion would largely offset the exits due to consolidation
- The company foresees a strong opportunity from fibre rollouts and fibre management, going ahead, given its strong experience in passive infra management
- Weaker contribution of telcos to overall revenues is in single digits as of now

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 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	6,631.0	7,041.0
Growth (%)		9.5	9.0	6.2
Other Income	110.4	71.1	58.9	60.0
Total Revenue	5,668.7	6,155.8	6,689.9	7,101.0
Rent	279.8	318.4	356.2	387.4
Employee Expenses	257.8	274.6	309.2	328.3
Power and Fuel	1,990.1	2,114.3	2,236.2	2,324.2
Other Expenses	150.3	143.9	182.2	225.3
Repairs & Maintenance	392.0	408.4	426.0	440.4
Total Operating Expenditure	3,070.0	3,259.6	3,510.0	3,705.7
EBITDA	2,488.3	2,825.1	3,121.1	3,335.4
Growth (%)		13.5	10.5	6.9
Depreciation	1,155.0	1,165.7	1,207.9	1,254.3
Interest	-428.5	-654.2	-521.4	-560.0
Other Income	110.4	71.1	58.9	60.0
PBT	1,872.2	2,384.7	2,493.4	2,701.1
Profit from associates	1,106.9	1,195.0	1,430.6	1,545.5
Total Tax	731.7	832.7	888.7	899.5
PAT	2,247.4	2,747.0	3,035.4	3,347.1
Growth (%)		22.2	10.5	10.3
EPS (₹)	11.8	14.9	16.4	18.1

Source: Company, ICICIdirect.com Research

Valuation

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 is likely to put pressure in the form of non renewals/exits of tenancy as the Idea-Vodafone combine aims to attain efficiency by reducing their network duplication. While Jio expansion provides a near term fillip, loading would remain the key mode of data network expansion by incumbents, thereby restricting growth, going ahead. Moreover, a sharp run up in the stock price of ~40% in the last five months, also restricts the upside. Therefore, we maintain our **HOLD** rating with a target price of ₹ 410.

Possible strategic sale of Airtel stake/acquisition of Idea/Vodafone's stake in Indus and/or subsequent improvement in capital structure through leverage 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 that 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	34,136.4
EV of Indus Towers	110,903.7
Contribution of BIL (42%)	46,579.6
Indus contribution post holding discount (20%)	37,263.7
Total Enterprise valuation	71,400.1
Less net debt	-4,365.1
Target market capitalisation	75,765.1
Number of shares	185.0
Per share value (₹)	410
Upside potential (%)	-2%

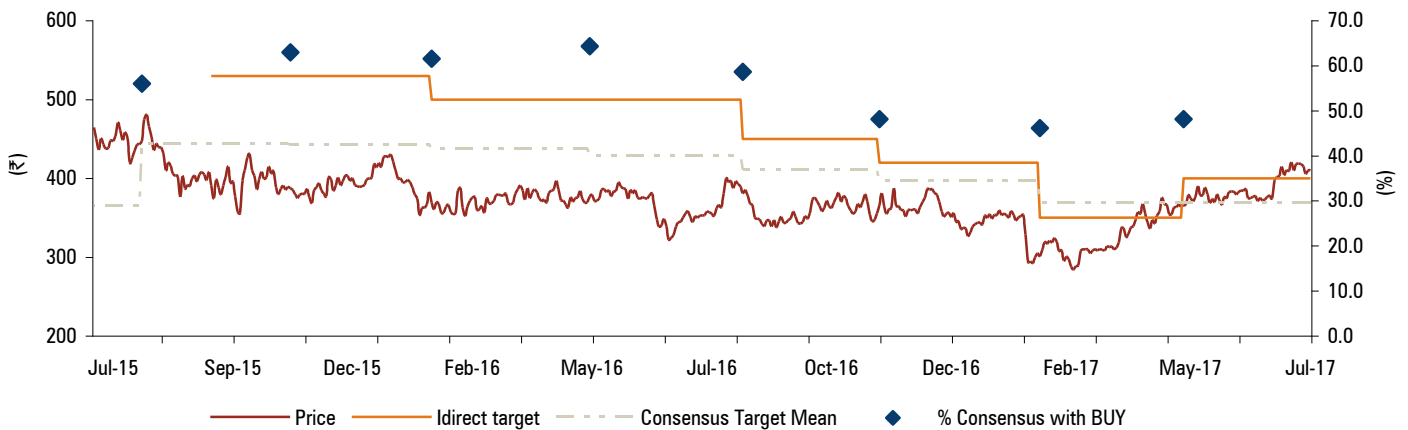
Source: Company, ICICIdirect.com Research

Exhibit 6: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	12331.3	5.7	11.8	12.6	35.3	13.7	12.3	15.7
FY17	13423.6	8.9	14.9	25.3	28.1	12.8	17.7	20.1
FY18E	14533.3	8.3	16.4	10.5	25.5	11.4	19.8	23.4
FY19E	15283.9	5.2	18.1	10.3	23.1	10.4	21.6	25.2

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 %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	71.70	71.96	71.96	61.65	61.65
FII	25.09	25.22	24.93	34.34	35.01
DII	0.86	0.63	1.19	1.71	0.59
Others	2.35	2.19	1.92	2.30	2.75

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
Silverview Portfolio Investments Pte. Ltd.	+657.34M	+130.80M	Capital Research Global Investors	-33.76M	-5.82M
CPP Investment Board	+303.84M	+60.46M	Capital World Investors	-19.62M	-3.91M
Matthews International Capital Management, L.L.C.	+50.13M	+9.98M	Lyxor Asset Management	-11.17M	-1.96M
Carmignac Gestion	+36.92M	+7.35M	Manning & Napier Advisors, LLC	-8.21M	-1.93M

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	14,533.3	15,283.9
Growth (%)	5.7	8.9	8.3	5.2
Other Income	204.7	145.6	152.4	140.0
Total Revenue	12,536.0	13,569.2	14,685.7	15,423.9
Rent	1,032.2	1,162.8	1,296.2	1,391.3
Employee Expenses	428.1	467.8	504.7	534.4
Power and Fuel	4,259.7	4,653.3	4,862.4	4,957.9
Other Expenses	294.4	326.9	371.4	420.3
Repairs & Maintenance	906.3	915.9	964.4	1,011.1
Total Operating Expenditure	6,920.7	7,526.7	7,999.1	8,315.1
EBITDA	5,410.6	5,896.9	6,534.2	6,968.9
Growth (%)	8.1	9.0	10.8	6.7
Depreciation	2,223.6	2,262.5	2,399.2	2,490.7
Interest	-184.8	-441.3	-362.7	-400.0
Other Income	204.7	145.6	152.4	140.0
PBT	3,576.5	4,221.2	4,650.1	5,018.1
Profit from associates	0.0	0.0	0.0	0.0
Total Tax	1,329.2	1,474.2	1,614.7	1,671.0
PAT	2,247.4	2,747.0	3,035.4	3,347.1
Growth (%)	12.8	22.2	10.5	10.3
EPS (₹)	11.8	14.9	16.4	18.1

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	3,035.4	3,347.1
Add: Depreciation	2,223.6	2,262.5	2,399.2	2,490.7
Add: Interest Paid	(184.8)	(441.3)	(362.7)	(400.0)
(Inc)/dec in Current Assets	836.3	-369.6	-71.6	-10.4
Inc/(dec) in CL and Provisions	-2,314.6	3,038.8	486.7	329.2
CF from operating activities	2,807.9	7,237.4	5,487.1	5,756.7
(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	-1,973.8	-1,564.1
Others	1,265.4	-100.4	-29.3	-19.8
CF from investing activities	1,205.3	-3,116.6	-2,803.0	-2,883.9
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)	(362.7)	(400.0)
Others	-33.2	-1,233.2	425.4	500.0
CF from financing activities	-1,734.0	-5,014.9	-3,122.7	-2,930.1
Net Cash flow	2,279.2	-894.1	-438.7	-57.3
Opening Cash	912.0	3,191.1	2,297.0	1,858.3
Closing Cash	3,191.1	2,297.0	1,858.3	1,801.1

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	13,486.9	13,648.6
Total Shareholders funds	18,226.2	15,486.5	15,336.5	15,498.2
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	18,329.4	18,346.4
Assets				
Gross Block	28,670.7	30,588.4	32,562.2	34,126.2
Accumulated Depreciation	14,693.3	16,955.8	19,355.0	21,845.8
Net Block	13,977.4	13,632.6	13,207.1	12,280.5
Capital WIP	224.6	256.8	256.8	256.8
Total Fixed Assets	14,201.9	13,889.4	13,463.9	12,537.3
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	235.9	248.1
Loans and Advances	1,115.7	1,354.9	1,393.6	1,392.3
Other Current Assets	418.7	522.7	537.6	537.1
Cash	3,191.1	2,297.0	1,858.3	1,801.1
Total Current Assets	4,917.0	4,392.5	4,025.4	3,978.5
Creditors	562.8	679.3	735.4	773.4
Provisions	551.2	610.5	661.0	695.2
Other Current Liabilities	1,735.1	4,598.0	4,978.1	5,235.2
Total Current Liabilities	2,849.0	5,887.8	6,374.5	6,703.8
Net Current Assets	2,068.0	-1,495.3	-2,349.1	-2,725.2
Others Assets	803.9	764.2	793.5	813.3
Application of Funds	21,628.8	18,779.4	18,329.4	18,346.4

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17	FY18E	FY19E
Per share data (₹)				
EPS	11.8	14.9	16.4	18.1
Cash EPS	23.6	27.1	29.4	31.6
BV	96.1	83.7	82.9	83.8
DPS	4.6	14.4	15.6	15.6
Cash Per Share	16.8	12.4	10.0	9.7
Operating Ratios				
EBITDA Margin (%)	43.9	43.9	45.0	45.6
PAT Margin (%)	18.2	20.5	20.9	21.9
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	19.8	21.6
RoCE	15.7	20.1	23.4	25.2
RoIC	20.3	26.0	32.0	39.0
Valuation Ratios (x)				
P/E	35.3	28.1	25.5	23.1
EV / EBITDA	13.7	12.8	11.4	10.4
Market Cap / Sales	6.3	5.8	5.3	5.1
Price to Book Value	4.3	5.0	5.0	5.0
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 (₹)		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
		TP(₹)			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Bharti Airtel (BHAAIR)	428	410	Buy	171,089	9.5	4.5	7.2	45.0	94.4	59.8	7.8	8.6	7.8	8.4	6.2	7.4	7.6	2.7	4.2
Bharti Infratel (BHAINF)	418	410	Hold	77,258	14.9	16.4	18.1	28.124	25.452	23.082	12.8	11.4	10.4	20.1	23.4	25.2	17.7	19.8	21.6
Idea Cellular (IDECEL)	99	95	Hold	35,477	-1.1	-6.5	-5.3	NM	NA	NM	8.3	10.3	8.9	3.3	0.6	1.2	-1.6	-10.5	-9.3
Sterlite Tech. (STETEC)	219	230	Buy	8,715	5.1	6.5	8.8	43.3	NA	24.8	18.6	14.4	11.5	16.1	19.5	21.9	22.9	24.3	26.5
Tata Comm. (TATCOM)	670	650	Hold	19,108	43.3	14.7	22.7	15.5	45.7	29.5	11.0	9.8	8.1	6.1	8.1	10.9	17.2	23.6	29.6

Source: Company, ICICIdirect.com Research

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