

Rating medium		
Rating	:	Hold
Target	:	₹ 275
Target Period	:	12 months
Potential Upside	:	0%

What's changed?	
Target	Changed from ₹ 285 to ₹ 275
EPS FY19E	Changed from ₹ 12.5 to ₹ 13.5
EPS FY20E	Changed from ₹ 13.5 to ₹ 14.6
EPS FY21E	Introduced at ₹ 14.9
Rating	Unchanged

Quarterly performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	3,640.2	3,655.3	-0.4	3,668.3	-0.8
EBITDA	1,504.1	1,598.2	(5.9)	1,486.4	1.2
EBITDA (%)	41.3	43.7	-240 bps	40.5	80 bps
PAT	648.4	585.4	10.8	599.8	8.1

Key financials				
₹ Crore	FY18	FY19E	FY20E	FY21E
Net Sales	14,490	14,637	14,867	15,145
EBITDA	6,380	6,016	6,201	6,374
Net Profit	2,494	2,505	2,706	2,752
EPS (₹)	13.5	13.5	14.6	14.9

Valuation summary				
	FY18	FY19E	FY20E	FY21E
P/E	20.5	20.4	18.9	18.6
Target P/E	20.4	20.3	18.8	18.5
EV / EBITDA	7.2	7.7	7.5	7.3
P/BV	3.0	3.2	3.3	3.5
RoNW	14.7	15.6	17.6	18.7
RoCE	21.1	21.0	22.6	23.8

Stock data	
	Amount
Market Capitalization (₹ crore)	48,718.5
Total Debt (₹ crore)	1,690.1
Cash and Investments (₹ crore)	6,787.2
EV (₹ crore)	43,621.4
52 week H/L (₹)	482/ 283
Equity capital (₹ crore)	1,849.6
Face value (₹)	10.0
MF Holding (%)	0.9
FII Holding (%)	22.5

Research Analyst	
Bhupendra Tiwary	bhupendra.tiwary@icicisecurities.com
Sameer Pardikar	sameer.pardikar@icicisecurities.com

Bharti Infratel (BHAINF)

₹ 276

Growth visibility dim...

- Revenues (on a proportionate consolidation basis) came in at ₹ 3640.2 crore, better than our estimate of ₹ 3567.4 crore. Core rental revenues at ₹ 2096.1 crore YoY (-1.1% QoQ) were better than our expectation of ₹ 1999.9 crore (down 5.7% QoQ). We note that rental revenues include one-time exit charge of ~₹ 55.3 crore. Energy revenues came in at ₹ 1544 crore vs. our estimate of ₹ 1567 crore
- EBITDA came in at ₹ 1512 crore (I-direct estimate of ₹ 1354.5 crore), up 1.8% QoQ, with EBITDA margins at 41.6 % (down 104 bps QoQ), against our estimates of 250 bps QoQ decline to 38.0%. The margin beat was aided by superior topline (aiding operating leverage) as well as energy margins of 8.1% vs. our expectation of 6.5%
- PAT came in at ₹ 648.4 crore vs. our expectation of ₹ 534.4 crore, driven by operating performance

Witnesses full impact of Vodafone Idea exit...

During Q3FY19, the company witnessed the full impact of tenancy exits by Vodafone Idea (27,447 co-locations on a consolidated basis), on the revenue front. On a gross basis, the total company further witnessed further exits at ~2540 tenancies in Q3 while gross addition was ~2477 (highest in the last five quarters), resulting in net tenancy decline of ~63 on a QoQ basis. We note that Vodafone Idea has guided for further ~21000 exits, the timing of which should be over the next couple of quarters. Moreover, we build in tepid gross tenancy addition ahead, given the measured approach of incumbents in expansion. Hence, we build in 192306 net co-locations in FY21 vs. current co-location count of 174449.

Exit penalty claim structure in place...

Infratel said it has laid out a tenancy exit penalty claim structure for ~₹ 2000 crore. Accordingly, Infratel will receive quarterly payment of ~₹ 90 crore on consolidated basis (~₹ 150 crore on combined basis) from telcos in the next 12 quarters beginning Q4FY19. The balance ₹ 900 crore will be provided in the form of committed future business of ~2x i.e. ₹ 1800 crore, through extension of tenure for further five years. **We note that tenancy tenure extension does not justify the incremental business potential as incumbent telcos are anchor tenants to Indus/Infratel and would have anyway renewed their tenancy.** Rental revenues are expected to be muted at 0.5% CAGR in FY18-21E to ₹ 9101 crore. Despite muted core rental revenue growth, core margin is expected to remain intact at 66.3% (66.2% in FY18), aided by exit penalty receipts.

Key risk Vodafone Idea's survival; maintain HOLD

We note that apart from future growth potential amid price competition among operators and Jio's continued preference to build some of the towers on their own, the key risk is Vodafone Idea's survival (it is an anchor tenant). Moreover, there will also be share price overhang as none of Bharti Airtel, Vodafone Group or Vodafone-Idea (if it elects to receive shares), will be subject to a lock-in on their shareholdings post-merger. While the company's intent to diversify into optic fibre business along with foray into additional services such as Smart City projects is a positive move, we believe benefits from the same would accrue over a longer time horizon of three to five years. Therefore, we maintain our **HOLD** recommendation with a revised target price of ₹ 275/share. Our target price implies 8x FY20E EV/EBITDA (vs. 8.5x earlier) on the merged entity proforma financials (refer page 3), the lower target multiple is to account for lack of growth visibility and unfavourable exit penalty resolution.

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	3,640.2	3,567.4	3,655.3	3,668.3	-0.4	-0.8	The revenue beat was led by inclusion of one time exit charge of ₹ 55 crore
Other Income	46.0	50.0	49.5	55.7	-7.1	-17.4	
Employee Expenses	124.2	122.4	125.4	122.2	-1.0	1.6	
Power and Fuel	1,418.4	1,465.6	1,298.7	1,436.7	9.2	-1.3	
Rent	305.0	317.7	317.2	316.8	-3.8	-3.7	
Other Expenses	86.4	92.8	89.2	92.3	-3.1	-6.4	
Repairs and Maintenance	202.1	214.4	226.6	213.9	-10.8	-5.5	
EBITDA	1,504.1	1,354.5	1,598.2	1,486.4	-5.9	1.2	
EBITDA Margin (%)	41.3	38.0	43.7	40.5	-240 bps	80 bps	The margins were aided by lower other expenses and topline beat
Depreciation	572.7	563.8	589.5	562.5	-2.8	1.8	
Interest	-60.1	-50.0	51.0	-44.2	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	35.7	NA	NA	
Total Tax	389.1	356.3	421.8	388.3	-7.8	0.2	
PAT	648.4	534.4	585.4	599.8	10.8	8.1	PAT beat was led by superior operating performance
Towers (Consolidated)	92,301	92,202	91,007	92,123	1.42	0.19	
Tenancy Ratio (x) (Consolidated)	1.89	1.93	2.38	2.04	-20.6	-7.3	
Sharing revenue per tower p.m	75,775	72,332	82,794	76,865	-8.48	-1.42	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			FY21E		Comments
	Old	New	% Change	Old	New	% Change	Introduced		
Revenue	14,458.3	14,637.3	1.2	14,455.4	14,866.9	2.8	15,145.5	We now incorporate exit charges (~₹ 90 crore quarterly) into our revenues estimates from Q4FY19 onwards	
EBITDA	5,733.2	6,015.7	4.9	5,767.8	6,201.5	7.5	6,374.4		
EBITDA Margin (%)	39.7	41.1	145 bps	39.9	41.7	181 bps	42.1	Higher revenues drive EBITDA upgrade	
PAT	2,317.2	2,505.4	8.1	2,492.6	2,706.4	8.6	2,751.6		
EPS (₹)	12.5	13.5	8.4	13.5	14.6	8.4	14.9		

Source: Company, ICICI Direct Research

Assumptions

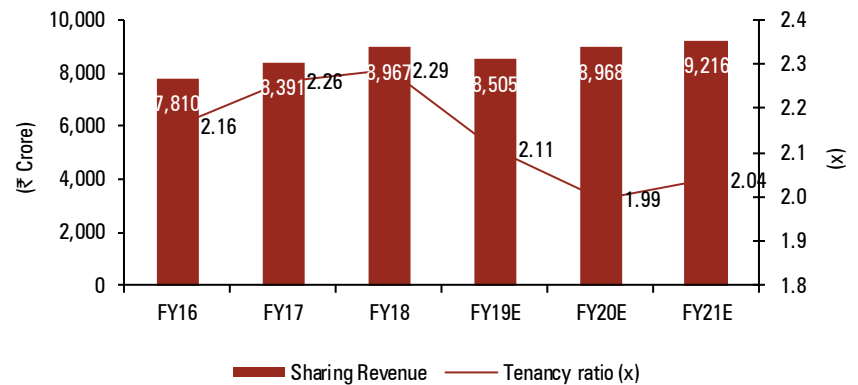
	Current					Earlier	
	FY17	FY18	FY19E	FY20E	FY21E	FY19E	FY20E
Bharti Infratel Standalone							
Towers (No.)	39,099	39,523	40,313	40,799	41,290	40,186	40,670
Tenancy Ratio (x)	2.20	2.26	2.14	2.07	2.12	2.11	2.01
Total Co-locations (No.)	89,263	88,665	82,122	85,557	88,300	79,548	82,987
Sharing revenue per tower p.m	81,001	86,253	82,082	87,646	89,139	79,384	80,090
Sharing Revenue (₹ Crore)	3,769.3	4,068.8	3,931.8	4,265.4	4,390.4	3,796.6	3,885.5
Indus Towers							
Towers (No.)	122,730	123,639	124,069	124,069	124,069	124,230	124,230
Tenancy Ratio (x)	2.30	2.30	2.08	1.94	1.98	2.06	1.88
Total Co-locations (No.)	288,913	278,408	238,022	242,777	247,633	231,440	236,116
Sharing revenue per tower p.m	75,503	78,892	73,255	75,211	77,170	69,851	67,034
Sharing Revenue (₹ Crore)	10,990.8	11,661.9	10,887.5	11,197.6	11,489.3	10,388.4	9,993.1
Bharti Infratel Consolidated							
Towers (No.)	90,646	91,451	92,422	92,907	93,399	92,363	92,847
Tenancy Ratio (x)	2.26	2.29	2.11	1.99	2.04	2.08	1.94
Total Co-locations (No.)	210,606	205,596	182,091	187,523	192,306	176,752	182,156
Sharing revenue per tower p.m	77,930	82,070	77,087	80,653	82,444	73,985	72,734
Sharing Revenue (₹ Crore)	8,390.9	8,966.8	8,504.6	8,968.4	9,215.9	8,159.7	8,082.6

Source: Company, ICICI Direct Research

Exhibit 1: Proforma of merged entity

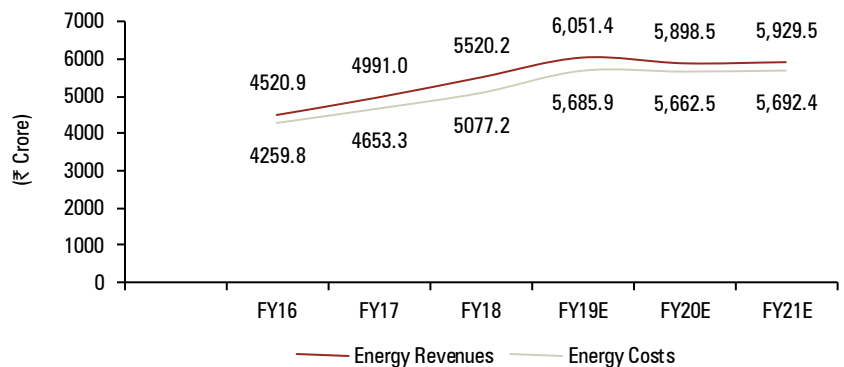
₹ crore	Infratel Standalone			Indus Towers			Combined Entity		
	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Tower (No.)	39,523	40,313	40,799	123,639	124,069	124,069	163,162	164,382	164,868
Tenancies (No.)	88,665	82,122	85,557	278,408	238,022	242,777	367,073	320,144	328,333
Tenancy Ratio (x)	2.3	2.1	2.1	2.3	2.1	1.9	2.3	2.1	2.0
Revenues	6,618	6,903	7,163	18,742	18,416	18,342	25,360	25,319	25,505
EBITDA	3,178	3,154	3,316	7,716	6,862	6,869	10,894	10,016	9656*
Margin (%)	48.0	45.7	46.3	41.2	37.3	37.5	43.0	39.6	37.9
							Target EV at 8x		77246
							Less: Net Debt		5,560
							Add: PV of Exit Charge		1,406
							Equity Value		73,093
							Diluted no. of Shares (crore)		266.1
							Fair Value (₹/share)		275

Source: Company, ICICI Direct Research *FY20 combined entity EBITDA without exit charge

Exhibit 2: Bharti Infratel consolidated tenancy, sharing revenues


Source: Company, ICICI Direct Research

As per management guidance that energy margins would be in the range of 5-8%, we build in energy margins of ~5%, going ahead.

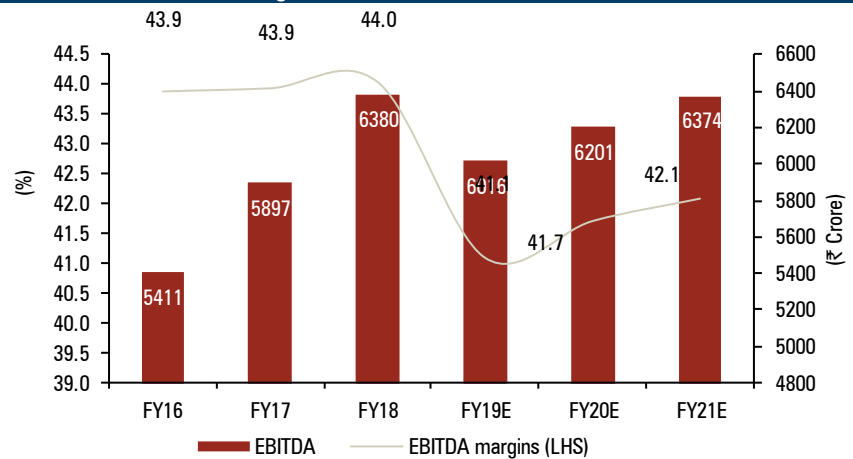
Exhibit 3: Energy revenues, energy costs trend


Source: Company, ICICI Direct Research

Margins to be impacted by tenancy exits

Going ahead, rental freeze, coupled with tenancy exits are expected to lead to negative operating leverage. We build in EBITDA margins of 41.1% and 41.6%, respectively, in FY19E and FY20E vs. margins of 44% reported in FY18.

Exhibit 4: EBITDA, EBITDA margins trend



Source: Company, ICICI Direct Research

Other highlights

- Gross tenancy additions healthy; Jio tower sharing aspiration remains a key risk:** The company said that the India telecom consolidation and co-location exit phase is largely behind. They expect healthy tenancy additions, going forward, on account of aggressive 4G rollout from operators. The management said they are aware of Jio's plan of sale and lease back their tower assets. However, the same hinges on shareability of those towers
- Indus-Infratel merger expected in Q1FY20:** The management indicated that the proposed merger of Infratel-Indus is on track as the company is in the process of getting requisite approvals for the scheme of arrangement. They indicated that the merger is expected to be complete in Q1FY20 provided they get all approvals in time
- Energy margins will be in guided region going forward:** As per the management, energy margins for the quarter were high on account to seasonality. The management indicated that high energy margins reported for the quarter are unsustainable and guided for energy margins to the tune of 5-8% on an annual basis
- Exit charges to the tune of ₹ 2000 crore; ~55% in cash with rest in future business form:** The management indicated that exit charges claims are to the tune of ₹ 2000 crore. Out of this, i) the company will receive ~₹ 1100 crore (₹ 90 crore per quarter spread over the next 12 quarters on a cash basis, ii) for the rest ₹ 900 crore. There would be a business commitment to the tune of i.e. ₹ 1,800 crore (which is 2x) over the next five years. *We note that tenancy tenure extension does not justify the incremental business potential as incumbent telcos are anchor tenants to Indus/Infratel and would have anyway renewed their tenancy*
- Fibre sharing opportunity still opaque:** The management indicated that while major telcos, including Jio, expressed their intent to demerge fibre assets, they are not aware of any subsequent plans of telcos in terms of these assets. The management, however, said they are open

to any opportunity coming their way in terms of fibre assets sharing model on similar lines of tower sharing

- **Maintenance capex higher on seasonality:** The management indicated that maintenance capex for the quarter was higher on account of front loading of some specific capex needs of some regions of the country. As per management, this will taper down in subsequent quarters
- **'Other expenses' downward trend on cost control drive:** The management indicated that 'other expenses' for the quarter reported downward trend in the last four to five quarters on cost control efforts from the management. However, the management guided that it has reached the bottom of these initiatives and do not see these expenses moving further downward. The company said that it has started booking revenues from smart city. The revenue is still miniscule

Transition to Ind-As

On a reported basis, the company's reported topline and margins 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.

However, we would continue to estimate and publish numbers/ratios based on proportionate consolidation of Indus as we believe it gives a better a picture on the consolidated operating performance. Moreover, the company has also indicated 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.

Exhibit 5: Income statement prepared under equity method

(Year-end March)	FY18	FY19E	FY20E	FY21E
Total operating Income	6,621.2	6,906.0	7,163.1	7,303.4
Growth (%)	8.8	4.3	3.7	2.0
Other Income	95.5	112.9	160.0	160.0
Total Revenue	6,716.7	7,018.9	7,323.1	7,463.4
Rent	351.8	341.5	344.5	351.5
Employee Expenses	291.6	290.8	295.5	298.7
Power and Fuel	2,281.7	2,611.4	2,723.8	2,738.2
Other Expenses	132.8	152.7	143.3	146.1
Repairs & Maintenance	406.2	358.5	339.7	343.8
Total Operating Expenditure	3,464.1	3,754.9	3,846.8	3,878.2
EBITDA	3,157.1	3,151.0	3,316.3	3,425.2
Growth (%)	11.8	-0.2	5.2	3.3
Depreciation	1,180.1	1,099.8	1,175.2	1,252.0
Interest	-180.2	-406.0	-560.0	-560.0
Other Income	95.5	112.9	160.0	160.0
PBT	2,252.7	2,570.2	2,861.1	2,893.2
Profit from associates	1,302.5	1,017.7	1,100.3	1,129.2
Exceptional Items	26.0	0.0	0.0	0.0
Total Tax	1,035.5	1,082.5	1,255.0	1,270.7
PAT	2,493.7	2,505.4	2,706.4	2,751.6
Growth (%)	-9.2	0.5	8.0	1.7
EPS (₹)	13.5	13.5	14.6	14.9

Source: Company, ICICI Direct Research

Valuation

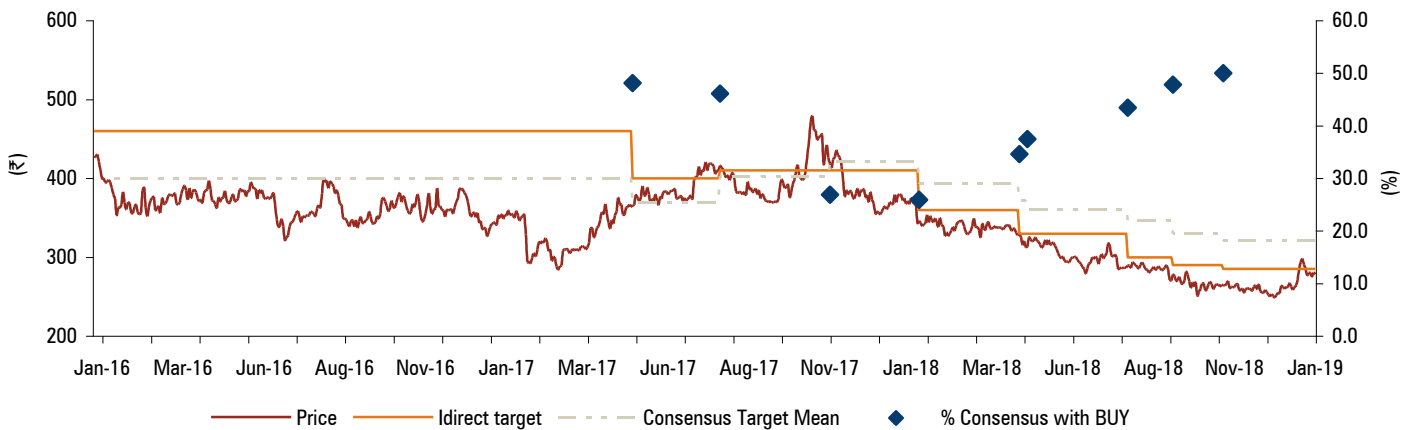
We note that apart from future growth potential amid price competition among operators and Jio's continued preference to build some of the towers on their own, the key risk is Vodafone Idea's survival (it is an anchor tenant). Moreover, there will also be share price overhang as none of Bharti Airtel, Vodafone Group or Vodafone-Idea (if it elects to receive shares), will be subject to a lock-in on their shareholdings post-merger. While the company's intent to diversify into optic fibre business along with foray into additional services such as Smart City projects is a positive move, we believe benefits from the same would accrue over a longer time horizon of three to five years. Therefore, we maintain our **HOLD** recommendation with a revised target price of ₹ 275/share. Our target price implies 8x FY20E EV/EBITDA (vs. 8.5x earlier) on the merged entity proforma financials (refer page 3), the lower target multiple is to account for lack of growth visibility and unfavourable exit penalty resolution.

Exhibit 6: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	14489.6	7.9	13.5	-9.2	20.5	7.2	14.7	21.1
FY19E	14637.3	1.0	13.5	0.5	20.4	7.7	15.6	21.0
FY20E	14866.9	1.6	14.6	8.0	18.9	7.5	17.6	22.6
FY21E	15145.5	1.9	14.9	1.7	18.6	7.3	18.7	23.8

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus Estimates



Source: Company, ICICI Direct 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, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bharti Enterprises, Ltd.	30-06-2018	52.13	2,083.97M	0.0
2	Singapore Telecommunications Ltd	30-06-2018	15.01	599.81M	0.0
3	Life Insurance Corporation of India	30-06-2018	3.76	150.18M	0.0
4	ICICI Prudential Asset Management Co. Ltd.	30-06-2018	2.11	84.31M	+21.09M
5	SBI Funds Management Pvt. Ltd.	30-06-2018	1.38	55.15M	+2.10M
6	ICICI Prudential Life Insurance Company Ltd.	30-06-2018	1.18	47.36M	-3.83M
7	The Vanguard Group, Inc.	30-06-2018	1.12	44.78M	+0.22M
8	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-05-2018	1.07	42.84M	+1.85M
9	BlackRock Institutional Trust Company, N.A.	30-06-2018	0.95	38.03M	-2.14M
10	Dimensional Fund Advisors, L.P.	30-06-2018	0.72	28.70M	+0.09M

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	58.00	53.51	53.51	53.51	53.51
FII	38.24	42.96	42.20	42.29	42.29
DII	1.71	2.18	2.24	2.26	2.26
Others	2.05	1.35	2.05	1.94	1.94

Recent Activity

Investor name	Value	Shares	Investor name	Value	Shares
EdgePoint Investment Group Inc.	+91.55M	+25.26M	Cambiar Investors LLC	-46.94M	-10.69M
Artisan Partners Limited Partnership	+30.85M	+8.51M	RWC Partners Limited	-22.29M	-5.08M
Black Creek Investment Management, Inc.	+6.12M	+1.69M	Van Eck Associates Corporation	-15.35M	-4.24M
Tredje AP Fonden	+3.43M	+0.78M	FMR Investment Management (U.K.) Limited	-14.02M	-3.35M
Fidelity Management & Research Company	+1.99M	+0.54M	Jupiter Asset Management Ltd.	-13.70M	-3.12M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Total operating Income	14,489.6	14,637.3	14,866.9	15,145.5	
Growth (%)	7.9	1.0	1.6	1.9	
Other Income	232.6	212.6	240.0	240.0	
Total Revenue	14,722.2	14,849.9	15,106.9	15,385.5	
Rent	1,261.5	1,248.1	1,239.1	1,259.0	
Employee Expenses	500.2	496.1	515.8	525.4	
Power and Fuel	5,077.2	5,685.9	5,662.5	5,692.4	
Other Expenses	366.8	349.5	427.5	469.5	
Repairs & Maintenance	903.8	842.0	820.5	824.8	
Total Operating Expenditure	8,109.5	8,621.6	8,665.4	8,771.1	
EBITDA	6,380.1	6,015.7	6,201.5	6,374.4	
Growth (%)	8.2	-5.7	3.1	2.8	
Depreciation	2,346.2	2,247.7	2,330.8	2,428.3	
Interest	-9.7	-182.8	-400.0	-400.0	
Other Income	232.6	212.6	240.0	240.0	
PBT	4,276.2	4,163.4	4,510.7	4,586.0	
Exceptional Items	50.0	35.7	0.0	0.0	
Total Tax	1,732.5	1,622.3	1,804.3	1,834.4	
PAT	2,493.7	2,505.4	2,706.4	2,751.6	
Growth (%)	-9.2	0.5	8.0	1.7	
EPS (₹)	13.5	13.5	14.6	14.9	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Profit after Tax	2,493.7	2,505.4	2,706.4	2,751.6	
Add: Depreciation	2,346.2	2,247.7	2,330.8	2,428.3	
Add: Interest Paid	(9.7)	(182.8)	(400.0)	(400.0)	
(Inc)/dec in Current Assets	-684.7	259.6	110.0	93.2	
Inc/(dec) in CL and Provisions	-2,086.7	38.7	60.2	73.1	
CF from operating activities	2,058.8	4,868.6	4,807.4	4,946.2	
(Inc)/dec in Investments	-1,163.9	1,000.0	-200.0	-200.0	
(Inc)/dec in Fixed Assets	-1,937.4	-1,805.7	-1,444.6	-1,589.0	
Others	86.4	-4.0	-6.2	-7.5	
CF from investing activities	-3,014.9	-809.7	-1,650.8	-1,796.6	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-43.3	-401.4	0.0	0.0	
Dividend paid & dividend tax	0.0	-3,107.3	-3,107.3	-3,107.3	
Add: Interest Paid	(9.7)	(182.8)	(400.0)	(400.0)	
Others	-735.0	65.6	500.0	500.0	
CF from financing activities	-788.0	-3,625.9	-3,007.3	-3,007.3	
Net Cash flow	-1,744.1	433.0	149.3	142.3	
Opening Cash	2,024.0	279.9	712.9	862.2	
Closing Cash	279.9	712.9	862.2	1,004.6	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Liabilities					
Equity Capital	1,849.6	1,849.6	1,849.6	1,849.6	
Reserve and Surplus	15,104.8	14,202.9	13,502.0	12,846.3	
Total Shareholders funds	16,954.4	16,052.5	15,351.6	14,695.9	
Total Debt	1,690.1	1,288.7	1,288.7	1,288.7	
Deferred Tax Liability	622.3	622.3	622.3	622.3	
Others	954.6	954.6	954.6	954.6	
Total Liabilities	20,221.4	18,918.1	18,217.2	17,561.5	
Assets					
Gross Block	32,376.0	34,181.7	35,626.3	37,215.3	
Accumulated Depreciation	19,302.0	21,549.8	23,880.5	26,308.8	
Net Block	13,074.0	12,632.0	11,745.8	10,906.5	
Capital WIP	406.6	406.6	406.6	406.6	
Total Fixed Assets	13,480.6	13,038.6	12,152.4	11,313.1	
Investments	6,785.0	5,785.0	5,985.0	6,185.0	
Inventory	0.0	0.0	0.0	0.0	
Debtors	918.5	802.0	814.6	829.9	
Loans and Advances	1,347.9	1,225.5	1,120.2	1,027.1	
Other Current Assets	513.8	493.1	475.8	460.5	
Cash	279.9	712.9	862.2	1,004.6	
Total Current Assets	3,060.1	3,233.5	3,272.8	3,322.0	
Creditors	618.2	624.5	634.3	646.2	
Provisions	666.6	673.4	684.0	696.8	
Other Current Liabilities	2,516.3	2,542.0	2,581.8	2,630.2	
Total Current Liabilities	3,801.1	3,839.8	3,900.1	3,973.2	
Net Current Assets	-741.0	-606.3	-627.2	-651.2	
Others Assets	696.8	700.8	707.0	714.6	
Application of Funds	20,221.4	18,918.1	18,217.2	17,561.5	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Per share data (₹)					
EPS	13.5	13.5	14.6	14.9	
Cash EPS	26.2	25.7	27.2	28.0	
BV	91.7	86.8	83.0	79.5	
DPS	14.0	14.0	14.0	14.0	
Cash Per Share	1.5	3.9	4.7	5.4	
Operating Ratios					
EBITDA Margin (%)	44.0	41.1	41.7	42.1	
PAT Margin (%)	17.2	17.1	18.2	18.2	
Debtor days	23.1	20.0	20.0	20.0	
Creditor days	15.6	15.6	15.6	15.6	
Return Ratios (%)					
RoE	14.7	15.6	17.6	18.7	
RoCE	21.1	21.0	22.6	23.8	
RoIC	32.7	32.5	34.5	36.1	
Valuation Ratios (x)					
P/E	19.5	19.4	18.0	17.7	
EV / EBITDA	6.8	7.3	7.1	7.0	
Market Cap / Sales	3.4	3.3	3.3	3.2	
Price to Book Value	2.9	3.0	3.2	3.3	
Solvency Ratios					
Debt/EBITDA	0.3	0.2	0.2	0.2	
Debt / Equity	0.1	0.1	0.1	0.1	
Current Ratio	0.7	0.7	0.6	0.6	
Quick Ratio	0.7	0.7	0.6	0.6	

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Telecom)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Bharti Airtel (BHAAIR)	302	380	Buy	120,562	2.7	-2.7	-5.7	109.7	NM	NM	7.3	9.2	8.1	5.6	2.3	3.5	2.7	-0.9	-3.9
Bharti Infratel (BHAINF)	276	275	Hold	51,049	13.5	13.5	14.6	20.5	20.4	18.9	7.2	7.2	7.7	21.1	21.0	22.6	14.7	15.6	17.6
Idea Cellular (IDECCEL)	34	40	Hold	40,574	-9.6	-10.1	-12.4	NM	NM	NM	11.1	19.6	27.1	-2.3	-3.6	-3.0	-15.3	-21.3	-28.4
Sterlite Tech. (STETEC)	290	350	Buy	11,629	8.3	13.7	15.9	34.8	21.2	18.2	16.7	18.2	12.1	29.7	26.4	26.9	28.7	33.9	29.4
Tata Comm. (TATCOM)	522	540	Hold	14,877	-11.5	0.1	9.2	NM	NM	56.8	9.8	10.1	9.3	5.9	4.2	6.6	9.4	1.3	89.2

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct 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

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

ANALYST CERTIFICATION

We /I, Bhupendra Tiwary MBA, Sameer Pardikar, 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. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the 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 Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a 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.

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.

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.