

Bharti Infratel

Refer to important disclosures at the end of this report

Lacks catalysts as of now

CMP: Rs 191
as of (July 28, 2020)

TP: Rs 153 (▲)
12 months

Rating: SELL (■)

Upside: (19.6) %



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- BHIN IN reported an EBITDA miss, primarily due to lower energy reimbursements (-8% qoq). Energy margins, which stood at -2%, surprised negatively, and were pushed downward by Indus. At the standalone level, energy margins stood at 4.8%.
- Gross tenancy additions of 862 was weakest in last 7 quarters. Net tenancies declined by 366 due to the exits from VIL, while the sharing factor continued to see a marked drop on a standalone basis.
- Management believes that the underlying business is back to normalcy after large-scale tenancy exits over the last two years. We have already baked in net tenancy addition improvement from Q2. Energy margin guidance is lowered to 0-3% from 3%.
- We continue to highlight that the stock lacks catalysts until clarity emerges on VIL's survival. We are keeping our estimates largely unchanged, while maintaining our Sell recommendation with a revised TP of Rs153 (4x Sept'22E EBITDA). We are UW in EAP.

Energy margins turn red; higher interest outgo impacts bottom line: Rental revenues came in line with our projections, while declining marginally yoy. EBITDA grew 4% sequentially, as the previous quarter included one-off provisions. However, adjusting for the one-off, EBITDA saw a 6% decline qoq. RPAT was negatively impacted by a significant rise in finance cost (up 14% qoq), which was partially offset by an 8% qoq decline in depreciation. Tower additions moderated at 430 as rollouts were curtailed by the lockdown. Indus's energy margins stood at -8.4%, taking the overall margin to -2%.

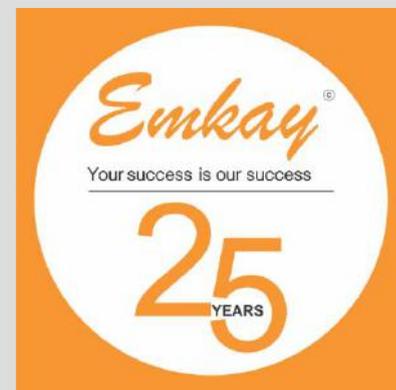
Outlook: Overall, continued net tenancy exits clearly indicate that VIL is continuing to rationalize its network to drive merger synergies. Although merger-led exits from the operator are largely behind now, risk could emerge from network rationalization due to sustained market share losses and stretched financial position, in our view. VIL's sustained market share losses would not get arrested anytime soon even if there is clarity on AGR dues. Furthermore, we do not expect tenancy additions due to the elevated AGR liabilities on the operator's balance sheet. However, fund infusion, along with the merger of BHIN and Indus, could reduce immediate risks on VIL's survival, providing an upside trigger for BHIN. FY21E dividend yield of 8.9%, assuming dividend from Indus, could limit downside. Key risks to our call: 1) aggressive 4G expansion for independent sites; 2) robust growth from Jio and no exits from VIL; 3) shift to 5G leading to fresh investments; and 4) implementation of floor pricing, resulting in increased vigor to the industry.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Telecommunications \(page 13\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	1,45,823	1,46,472	1,45,145	1,50,250	1,55,343
EBITDA	60,012	73,500	75,957	79,799	83,212
EBITDA Margin (%)	41.2	50.2	52.3	53.1	53.6
APAT	25,295	32,987	32,479	34,098	37,781
EPS (Rs)	13.7	17.8	17.6	18.4	20.4
EPS (% chg)	2.0	30.4	(1.5)	5.0	10.8
ROE (%)	16.1	23.5	23.9	24.7	26.3
P/E (x)	13.9	10.7	10.8	10.3	9.3
EV/EBITDA (x)	5.4	5.5	5.2	4.8	4.3
P/BV (x)	2.4	2.6	2.6	2.5	2.4

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	2.3/4
Target Price change (%)	5.6
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	17.6	18.4
Consensus	17.1	17.4
Mean Consensus TP (12M)	Rs 204	

Stock Details

Bloomberg Code	BHIN IN
Face Value (Rs)	10
Shares outstanding (mn)	1,850
52 Week H/L	297 / 120
M Cap (Rs bn/USD bn)	352 / 4.71
Daily Avg Volume (nos.)	1,15,17,560
Daily Avg Turnover (US\$ mn)	32.1

Shareholding Pattern Mar '20

Promoters	53.5%
FIIs	42.0%
DIIIs	3.6%
Public and Others	0.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(14)	20	(20)	(29)
Rel. to Nifty	(21)	(1)	(14)	(30)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs. Estimates (Q1FY21)

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	35,047	36,475	35,870	-3.9%	-2.3%	Due to lower-than-estimated energy reimbursements
EBITDA	17,672	18,795	18,125	-6.0%	-2.5%	
EBITDA Margin	50.4%	51.5%	50.5%	-110 bps	-11 bps	
PAT	7,036	7,533	7,368	-6.6%	-4.5%	On account of higher finance charges

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Consolidated quarterly financials

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Rental Revenue*	22,606	22,385	22,833	22,513	22,430	(0.8)	(0.4)
Energy Re-imbursements	14,513	13,991	13,900	13,731	12,617	(13.1)	(8.1)
Net Sales	37,119	36,376	36,733	36,244	35,047	(5.6)	(3.3)
Power & Fuel	13,736	14,036	13,672	12,916	12,870	(6.3)	(0.4)
as % of sales	37.0	38.6	37.2	35.6	36.7		
Rent	0	0	0	0	0		
as % of sales	0.0	0.0	0.0	0.0	0.0		
Employee Expenses	1,184	1,240	1,278	1,299	1,337	12.9	2.9
as % of sales	3.2	3.4	3.5	3.6	3.8		
Other Exp	2,671	2,251	2,952	4,815	2,770	3.7	(42.5)
as % of sales	7.2	6.2	8.0	13.3	7.9		
Charity & Donation	573	66	59	224	398	(30.5)	77.7
as % of sales	1.5	0.2	0.2	0.6	1.1		
Total expenditure	18,164	17,593	17,961	19,254	17,375	(4.3)	(9.8)
EBITDA	18,955	18,783	18,772	16,990	17,672	(6.8)	4.0
Depreciation	7,425	7,453	7,036	7,657	7,057	(5.0)	(7.8)
EBIT	11,530	11,330	11,736	9,333	10,615	(7.9)	13.7
Other Income	651	349	336	576	239	(63.3)	(58.5)
Interest	1,125	1,251	1,384	1,247	1,425	26.7	14.3
Exceptional items	0	0	0	0	0		
PBT	11,056	10,428	10,688	8,662	9,429	(14.7)	8.9
Tax	2,186	793	2,701	2,167	2,393	9.5	10.4
PAT	8,870	9,635	7,987	6,495	7,036	(20.7)	8.3
Margins (%)						(bps)	(bps)
EBIDTA	51.1	51.6	51.1	46.9	50.4	(64)	355
EBIT	31.1	31.1	31.9	25.8	30.3	(77)	454
EBT	29.8	28.7	29.1	23.9	26.9	(288)	300
PAT	23.9	26.5	21.7	17.9	20.1	(382)	216
Effective Tax rate	19.8	7.6	25.3	25.0	25.4	561	36

Source: Company, Emkay Research. Note: Rental revenue includes exit penalties

Exhibit 3: Tenancy break-down

Particulars	Q4Y19	Q1Y20	Q2Y20	Q3Y20	Q4Y20	Q1FY21
Tenancies (no.)	1,72,724	1,73,247	1,73,406	1,74,150	1,74,581	1,74,216
Tenancies added (Net)	-1,725	523	159	744	431	-366
Tenancies added (Gross)	2,062	1,479	1,265	1,893	2,498	862
Exit tenancies	3,787	956	1,106	1,149	2,067	1,228
Actual exits haven't happened (cumulative)	4,308	3,566	3,750	2,798	3,564	3,474

Source: Company, Emkay Research

Other highlights

- Consolidated revenue came below estimates at Rs35bn (-3% qoq, -6% yoy), primarily due to lower-than-expected energy reimbursements, which stood at Rs12.6bn, down 8% qoq.
 - Reported rental income at Rs22.4bn was flat sequentially and in line with our projections.
- EBITDA stood at Rs17.7bn (+4% qoq, -7% yoy) with EBITDA margin expanding 355bps to 50.4%.
 - Energy margin, which stood at -2%, surprised negatively compared with 5.9% margin in Q4FY20 and 5.4% in Q1FY20.
- Cumulative (standalone + 100% of Indus) net tenancy declined by 484 vs. an addition of 1,865 in Q4FY20.
 - On a consolidated basis, net tenancy decreased by 366 vs. an addition of 431 in Q4FY20, while on a standalone basis net tenancy declined by 280.
- APAT stood at Rs7bn, up 8% qoq, while declining 21% yoy.
 - Finance charges increased 14% sequentially and stood at Rs1.4bn.
- Capex was down to Rs1.9bn from Rs5.3bn in Q4FY20 on the impact of the lockdown.
- Tower additions, on a consolidated basis, stood at 430 vs. 1,128 in the previous quarter.
- Operating free cash generation was Rs12.7bn vs. Rs8.8bn in Q4FY20 and Rs12.1bn in Q1FY20.
- The board announced an interim dividend of Rs2.3 per share.
- The board also accepted the resignation of Mr. D.S. Rawat, MD & CEO, effective August 3, 2020.

KPIs (Standalone)

- Net tenancy declined by 280 vs. decline of 607 in Q4FY20 and a decline of 222 in Q1FY20.
- The tenancy factor declined 4.7% to 1.79x from 1.82x in Q4FY20.
- On a standalone basis, Infratel added 286 towers vs. 582 in the previous quarter.
- Rental/tower/operator/month was up 1.2% yoy.

KPIs (Standalone + 42% of Indus)

- Net tenancy was down by 366 vs. addition of 431 in Q4FY20 on a consolidated basis.
- Co-locations churn during Q1, on a consolidated basis, was 1,228. Cumulatively, there were 3,474 co-locations for which actual exits have not happened, despite receiving exit notices.
- Tower additions stood at 430 vs. 1,128 in Q4FY20.
- Consolidated tenancy factor stood at 1.82x vs. 1.83x in Q4FY20.
- On a consolidated basis, the rental/tower/operator/month saw a 0.5% increase.

Balance sheet

- Trade receivables continued to be volatile, rising by Rs5.1bn to Rs25.8bn from Rs20.7bn at the end of FY20. However, adjusting for unbilled revenue, which is accounted in other financial assets, the same rose marginally.
- Gross cash on books reduced to Rs387mn from Rs2bn at the end of the previous year, due to debt repayment and dividend payout.
- Debt on the books (excluding lease liabilities) stood at Rs28bn, significantly lower than the Rs40bn at the end of FY20.

Exhibit 4: KPIs

Bharti Infratel Consolidated	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Total Towers	92,632	93,421	94,244	95,372	95,801	3.4	0.5
Total tenancy	1,73,247	1,73,406	1,74,150	1,74,581	1,74,216	0.6	(0.2)
Tenancy (x)	1.87	1.86	1.85	1.84	1.82	(2.4)	(0.8)
Closing Tenancy (x)	1.87	1.86	1.85	1.83	1.82	(2.8)	(0.7)
Sharing revenue per tower/ month (Rs)	81,503	80,210	81,113	79,153	78,219	(4.0)	(1.2)
Sharing revenue / operator / month (Rs)	42,591	42,160	42,987	42,267	42,023	(1.3)	(0.6)

Bharti Infratel

Total Towers	40,636	41,050	41,471	42,053	42,339	4.2	0.7
Total tenancy	76,119	76,176	76,322	75,715	75,435	(0.9)	(0.4)
Tenancy (x)	1.88	1.86	1.85	1.82	1.79	(4.7)	(1.6)
Closing Tenancy (x)	1.87	1.86	1.84	1.80	1.78	(4.7)	(1.0)
Sharing revenue per tower/ month (Rs)	85,917	87,669	84,593	84,878	82,899	(3.5)	(2.3)
Sharing revenue / operator / month (Rs)	44,623	46,095	45,018	45,715	45,173	1.2	(1.2)

Indus Towers

Total Towers	1,23,799	1,24,692	1,25,649	1,26,949	1,27,291	2.8	0.3
Total tenancy	2,31,256	2,31,500	2,32,924	2,35,396	2,35,192	1.7	(0.1)
Tenancy (x)	1.86	1.86	1.86	1.85	1.85	(0.5)	(0.2)
Closing Tenancy (x)	1.87	1.86	1.85	1.85	1.85	(1.2)	(0.4)
Sharing revenue per tower/ month (Rs)	78,061	74,373	78,357	74,640	74,520	(4.5)	(0.2)
Sharing revenue / operator / month (Rs)	40,989	39,082	41,392	39,590	39,596	(3.4)	0.0

Source: Company, Emkay Research

Exhibit 5: Energy margins have been volatile and dipped considerably in Q1FY21

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Energy reimbursements	14513	13991	13900	13731	12617	(13.1)	(8.1)
Power and fuel costs	13736	14036	13672	12916	12870	(6.3)	(0.4)
Spread	777	-45	228	815	-253	(132.6)	(131.0)
% Margin	5.4%	-0.3%	1.6%	5.9%	-2.0%	-736 bps	-794 bps
Incremental spread	-767	-822	273	587	-1068	39.2	(281.9)
Incremental EBITDA	4,044	-172	-11	-1,782	682	(83.1)	(138.3)
Incremental spread as % of incremental EBITDA	-19%	478%	-2482%	-33%	-157%		

Source: Company, Emkay Research

Exhibit 6: Capex spends: Rollout activities were restricted by lockdown

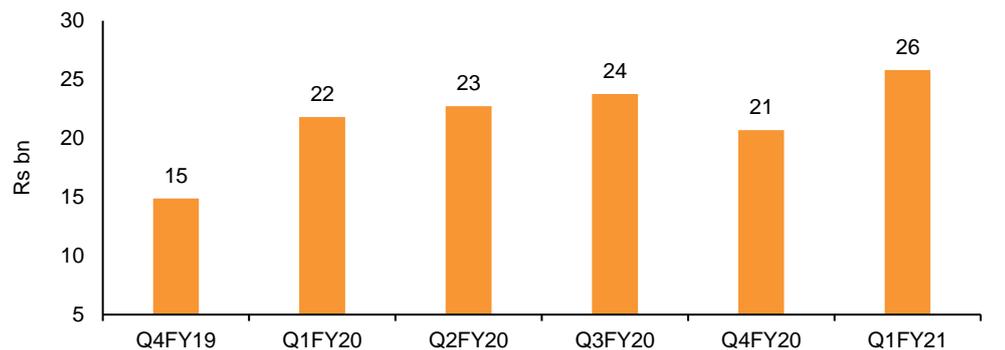
Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Capex	4,196	4,967	3,942	5,603	1,913	(54.4)	(65.9)
of Which Maintenance & General Corporate Capex	1,352	1,374	995	978	571	(57.8)	(41.6)
No of tower added	355	789	823	1128	430	21.0	(61.9)

Source: Company, Emkay Research

Exhibit 7: Standalone quarterly financials

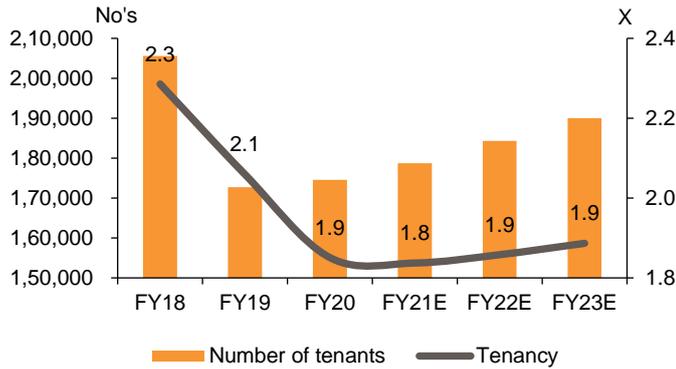
Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Rental Revenue	10,205	10,545	10,298	10,425	10,242	0.4	(1.8)
Energy Re-imburements	7,038	6,125	6,361	6,386	6,101	(13.3)	(4.5)
Net Sales	17,243	16,670	16,659	16,811	16,343	(5.2)	(2.8)
<i>Power & Fuel</i>	<i>5769</i>	<i>6017</i>	<i>6013</i>	<i>5865</i>	<i>5807</i>	<i>0.7</i>	<i>(1.0)</i>
as % of sales	33.5	36.1	36.1	34.9	35.5		
Employee Expenses	688	714	737	796	840	22.1	5.5
as % of sales	4.0	4.3	4.4	4.7	5.1		
Other Exp	1556	888	1246	1522	1373	(11.8)	(9.8)
as % of sales	9.0	5.3	7.5	9.1	8.4		
Charity & Donation							
as % of sales	0.0	0.0	0.0	0.0	0.0		
Total expenditure	8,013	7,619	7,996	8,183	8,020	0.1	(2.0)
EBITDA	9,230	9,051	8,663	8,628	8,323	(9.8)	(3.5)
Depreciation	3116	3116	3095	3447	2970	(4.7)	(13.8)
EBIT	6,114	5,935	5,568	5,181	5,353	(12.4)	3.3
Other Income	528	200	173	386	4365	726.7	1,030.8
Interest	-346	-42	199	152	133	(138.4)	(12.5)
Non-operating expenses	0	0	0	0	0		
PBT	6,988	6,177	5,542	5,415	9,585	37.2	77.0
Tax	2507	1397	1401	1351	1353	(46.0)	0.1
PAT	4,481	4,780	4,141	4,064	8,232	83.7	102.6
Margins (%)						(bps)	(bps)
EBIDTA	53.5	54.3	52.0	51.3	50.9	(260)	(40)
EBIT	35.5	35.6	33.4	30.8	32.8	(270)	193
EBT	40.5	37.1	33.3	32.2	58.6	1,812	2,644
PAT	26.0	28.7	24.9	24.2	50.4	2,438	2,620
Effective Tax rate	35.9	22.6	25.3	24.9	14.1	(2,176)	(1,083)

Source: Company, Emkay Research

Exhibit 8: Receivables reverted to their rising trend after a blip in the previous quarter due to unbilled revenues

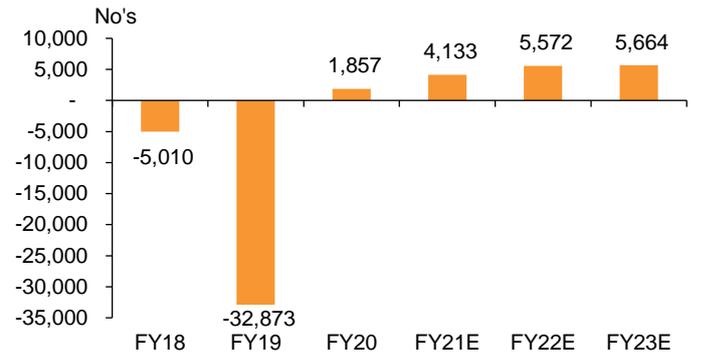
Source: Company, Emkay Research

Exhibit 9: Tenancy and tenancy factor assumptions



Source: Company, Emkay Research

Exhibit 10: Incremental net tenancies



Source: Company, Emkay Research

Exhibit 11: Changes in estimates

Particulars (Rs mn)	FY21E			FY22E			FY23E
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introduced
Tenancy	1,79,585	1,78,714	-0.5	1,85,169	1,84,287	-0.5	1,89,950
Rent/tower/tenant/month	41,801	41,883	0.2	42,294	42,525	0.5	43,042
Rental revenue	92,427	92,491	0.1	96,161	96,220	0.1	96,220
Energy reimbursement	52,584	52,654	0.1	53,766	54,030	0.5	54,030
Total Revenue	1,45,011	1,45,145	0.1	1,49,927	1,50,250	0.2	1,55,343
EBITDA	76,899	75,957	-1.2	79,990	79,799	-0.2	83,212
EBITDA %	53.0	52.3	-70 bps	53.4	53.1	-24 bps	53.6
PAT	31,789	32,479	2.2	32,767	34,098	4.1	37,781
EPS	17.2	17.6	2.2	17.7	18.4	4.1	20.4

Source: Company, Emkay Research

Exhibit 12: Key assumptions

Standalone	FY18	FY19	FY20	FY21E	FY22E	FY23E
Number of towers	39523	40388	42053	43089	44089	45089
% Growth	1%	2%	4%	2%	2%	2%
Towers added	424	865	1665	1036	1000	1000
Tenancy	2.3	2.1	1.8	1.8	1.8	1.9
% Growth	3%	-9%	-11%	-2%	1%	2%
Number of tenants	88665	76341	75715	78368	81643	84984
% Growth	-1%	-14%	-1%	4%	4%	4%
Rent/ tower/ Month	37868	39174	45459	44920	45611	46066
% Growth	2%	3%	16%	-1%	2%	1%
Rental Revenue (Rs mn)	40427	38784	41473	41528	43789	46055
Energy Reimbursements (Rs mn)	25753	29433	25910	25319	26272	27338
Revenue from operations (Rs mn)	66180	68217	67383	66848	70061	73393

Indus (100%)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Number of towers	123639	123546	126949	128191	129391	130591
% Growth	1%	0%	3%	1%	1%	1%
Towers Added	909	-93	3403	1242	1200	1200
Tenancy	2.3	2.1	1.9	1.9	1.9	1.9
% Growth	0%	-11%	-10%	0%	1%	1%
Number of tenants	278408	229483	235396	238919	244390	249920
% Growth	-4%	-18%	3%	1%	2%	2%
Rent/ tower/ Month	33975	34794	40191	39534	40093	40614
% Growth	3%	2%	16%	-2%	1%	1%
Rental revenues (Rs mn)	115649	106029	112103	112508	116263	120457
Energy Reimbursements (Rs mn)	70116	77439	71946	65304	66091	66091
Revenue from operations (Rs mn)	185765	183468	184049	177813	182354	186548

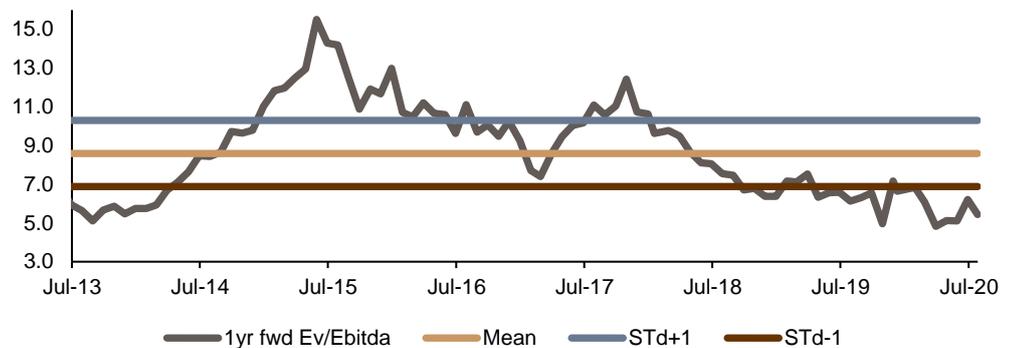
Standalone + Indus (100%)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Number of towers	163162	163934	169002	171280	173480	175680
% Growth	1%	0%	3%	1%	1%	1%
Towers Added	1333	772	5068	2278	2200	2200
Tenancy	2.3	2.1	1.9	1.8	1.9	1.9
% Growth	1%	-10%	-10%	0%	1%	1%
Number of tenants	367073	305824	311111	317288	326033	334904
% Growth	-3%	-17%	2%	2%	3%	3%
Rent/ tower/ Month	34905	35868	41485	40854	41465	10393
% Growth	3%	3%	16%	-2%	0	0
Rental revenue (Rs mn)	156075	144812	153576	154037	160052	166511
Energy Reimbursements (Rs mn)	95869	106873	97856	90624	92363	93430
Revenue from operations (Rs mn)	251945	251685	251432	244660	252415	259941

Source: Company, Emkay Research

Exhibit 13: Key assumptions contd.

Consolidated (Pro-forma- 42% of Indus)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Number of towers	91451	92277	95372	96929	98433	99937
% Growth YoY	1%	1%	3%	2%	2%	2%
Towers Added	806	826	3094	1558	1504	1504
Tenancy	2.3	2.1	1.9	1.8	1.9	1.9
% Growth	1%	-10%	-10%	-1%	1%	2%
Number of tenants	205596	172724	174581	178714	184287	189950
% Growth	-2%	-16%	1%	2%	3%	3%
Rent/ tower/ Month	35639	36704	42490	41883	42525	43042
% Growth	3%	3%	16%	-1%	2%	1%
Rental Revenue (Rs mn)	88999	83691	86371	88688	92620	96647
Energy Reimbursements (Rs mn)	55202	60585	56135	52654	54030	55097
Revenue from operations (Rs mn)	144201	145823	146472	145145	150250	155343

Source: Company, Emkay Research

Exhibit 14: 1-yr forward EV/EBITDA valuation band

Source: Company, Emkay Research

Conference call highlights

- Exit charges of Rs560mn have not been received and they are not accounted in P&L.
- The reduction in co-locations during Q1 was due to continued exits and the slow rollout of new sites by operators. Management believes that the underlying business is back to normalcy after large-scale tenancy exits over the last two years.
- **Energy margins:** Management has revised its energy margins from 3-5% to 0-3%. It is hopeful of achieving 3% margins in FY21.
- The company is in talks with telcos for fixed energy margins for long-term contracts.
- **Trade receivables:** Unbilled revenues (accounted in other financial assets) in Q4 were higher due to a technical factor and receivables declined subsequently. However, in Q1FY21, receivables + other financial assets increased marginally.
- **Active network sharing:** The company believes that 8-10% of electronics capex can be shifted to tower companies, while there is still a lack of clarity on various aspects of electronics allowed by government on active sharing. Fiber sharing can be a big opportunity.
- **Rent contract renewals:** Management believes that rental contract renewals starting from the next fiscal would not have a negative impact. Although the company had already corrected the rental contracts, price uniformity is offered to various telcos now.
- The Smart City project of Bhopal has gone live and also achieved break-even. Capex spends toward this stood at Rs1-1.25bn.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	1,45,823	1,46,472	1,45,145	1,50,250	1,55,343
Expenditure	85,811	72,972	69,188	70,451	72,131
EBITDA	60,012	73,500	75,957	79,799	83,212
Depreciation	22,239	29,571	29,816	31,660	32,051
EBIT	37,773	43,929	46,141	48,138	51,161
Other Income	2,034	1,912	2,288	1,961	3,097
Interest expenses	(1,571)	5,007	4,987	4,532	4,247
PBT	41,378	40,834	43,441	45,567	50,011
Tax	16,083	7,847	10,963	11,469	12,230
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	25,295	32,987	32,479	34,098	37,781
Adjusted PAT	25,295	32,987	32,479	34,098	37,781

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	18,496	18,496	18,496	18,496	18,496
Reserves & surplus	1,26,749	1,16,884	1,18,201	1,20,856	1,29,833
Net worth	1,45,245	1,35,380	1,36,698	1,39,353	1,48,330
Minority Interest	0	0	0	0	0
Loan Funds	23,492	1,07,218	95,218	95,218	95,218
Net deferred tax liability	6,153	(389)	(389)	(389)	(389)
Total Liabilities	1,74,890	2,42,209	2,31,527	2,34,182	2,43,159
Net block	1,25,871	1,21,655	1,11,758	1,00,114	88,071
Investment	47,973	54,383	44,383	52,383	60,383
Current Assets	46,167	56,483	69,036	76,970	91,621
Cash & bank balance	1,371	2,039	8,137	13,929	27,720
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	47,606	43,156	46,494	48,130	49,761
Net current assets	(1,439)	13,327	22,542	28,841	41,860
Misc. exp	0	51,298	51,298	51,298	51,298
Total Assets	1,74,890	2,42,209	2,31,527	2,34,182	2,43,159

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	39,344	38,922	41,153	43,606	46,914
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(8,007)	(20,640)	(3,117)	(507)	771
Operating Cashflow	23,087	50,269	48,215	53,782	58,374
Capital expenditure	(15,789)	(24,416)	(19,919)	(20,016)	(20,009)
Free Cash Flow	7,298	25,853	28,296	33,766	38,365
Investments	19,877	(6,410)	10,000	(8,000)	(8,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	6,122	(28,914)	(7,631)	(26,055)	(24,912)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	6,591	83,726	(12,000)	0	0
Dividend paid (incl tax)	(47,929)	(30,986)	(31,443)	(31,443)	(31,443)
Other Financing Cash Flow	11,929	(67,049)	15,983	22,177	29,948
Financing Cashflow	(27,838)	(19,316)	(32,447)	(13,798)	(5,742)
Net chg in cash	1,371	2,039	8,137	13,929	27,720
Opening cash position	759	1,371	2,039	8,137	13,929
Closing cash position	1,371	2,039	8,137	13,929	27,720

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	41.2	50.2	52.3	53.1	53.6
EBIT Margin	25.9	30.0	31.8	32.0	32.9
Effective Tax Rate	38.9	19.2	25.2	25.2	24.5
Net Margin	17.3	22.5	22.4	22.7	24.3
ROCE	21.7	22.0	20.4	21.5	22.7
ROE	16.1	23.5	23.9	24.7	26.3
RoIC	31.1	34.3	35.6	39.9	47.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	13.7	17.8	17.6	18.4	20.4
CEPS	25.7	33.8	33.7	35.6	37.8
BVPS	78.5	73.2	73.9	75.3	80.2
DPS	21.5	13.9	17.0	17.0	17.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	13.9	10.7	10.8	10.3	9.3
P/CEPS	7.4	5.6	5.7	5.4	5.0
P/BV	2.4	2.6	2.6	2.5	2.4
EV / Sales	2.2	2.8	2.7	2.5	2.3
EV / EBITDA	5.4	5.5	5.2	4.8	4.3
Dividend Yield (%)	11.3	7.3	8.9	8.9	8.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.2)	0.4	0.3	0.2	0.0
Net Debt/EBIDTA	(0.4)	0.7	0.6	0.4	0.1
Working Cap Cycle (days)	(7.0)	28.1	36.2	36.2	33.2

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1.1	0.4	(0.9)	3.5	3.4
EBITDA	(4.9)	22.5	3.3	5.1	4.3
EBIT	(4.7)	16.3	5.0	4.3	6.3
PAT	2.0	30.4	(1.5)	5.0	10.8

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	37,119	36,376	36,733	36,244	35,047
EBITDA	18,955	18,783	18,772	16,990	17,672
EBITDA Margin (%)	51.1	51.6	51.1	46.9	50.4
PAT	8,870	9,635	7,987	6,495	7,036
EPS (Rs)	4.8	5.2	4.3	3.5	3.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	53.5	53.5	53.5	53.5	53.5
FII	43.9	43.8	43.8	43.2	42.0
DII	1.6	1.7	2.0	2.6	3.6
Public and Others	1.0	1.0	0.7	0.7	0.9

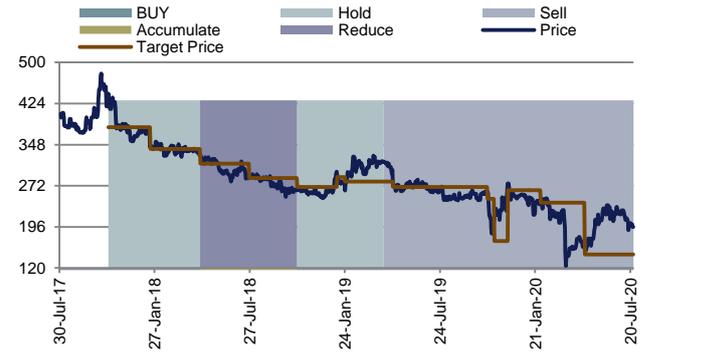
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Jul-20	227	145	12m	Sell	Naval Seth
20-Jun-20	219	145	12m	Sell	Naval Seth
24-Apr-20	152	145	12m	Sell	Naval Seth
31-Jan-20	248	241	12m	Sell	Naval Seth
30-Nov-19	276	264	12m	Sell	Naval Seth
04-Nov-19	215	170	12m	Sell	Naval Seth
22-Oct-19	259	248	12m	Sell	Naval Seth
23-Sep-19	264	270	12m	Sell	Naval Seth
26-Jul-19	270	270	12m	Sell	Naval Seth
26-Apr-19	273	270	12m	Sell	Naval Seth
08-Apr-19	316	280	12m	Sell	Naval Seth
24-Jan-19	263	280	12m	Hold	Naval Seth
09-Jan-19	290	288	12m	Hold	Naval Seth
25-Oct-18	265	270	12m	Hold	Naval Seth
26-Jul-18	287	286	12m	Reduce	Naval Seth
02-May-18	314	313	12m	Reduce	Naval Seth
24-Apr-18	329	313	12m	Reduce	Naval Seth
19-Jan-18	346	340	12m	Hold	Naval Seth
31-Oct-17	442	380	12m	Hold	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Telecommunications



Analyst: Naval Seth

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Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 12 years of experience in equity research. His team currently covers 18 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Telecommunications	2.64	2.64	0%	0	100.00
Bharti Airtel	2.26	2.40	6%	14	90.62
Bharti Infratel	0.28	0.25	-11%	-3	9.38
Tata Communications*	0.00	0.00	NA	0	0.00
Vodafone Idea	0.11	0.00	-100%	-11	0.00
Cash	0.00	0.00	NA	0	0.0

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

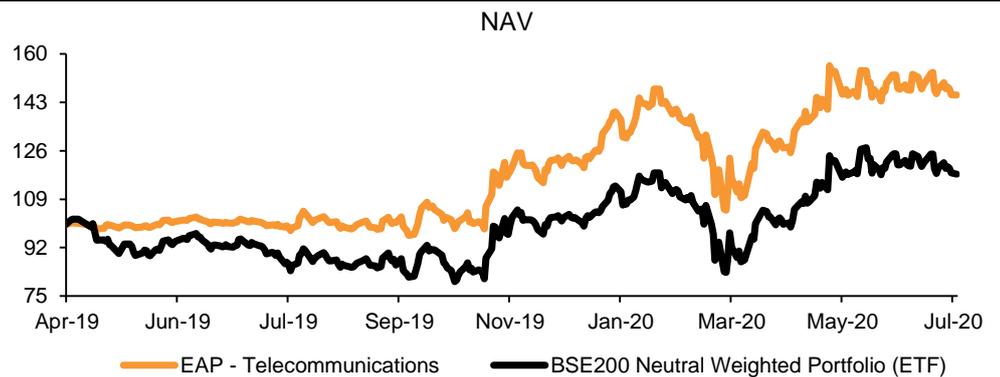
Sector portfolio NAV

	Base					Latest
	1-Apr-19	25-Oct-19	27-Jan-20	27-Apr-20	26-Jun-20	27-Jul-20
EAP - Telecommunications	100.0	102.5	137.0	127.4	147.6	145.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	84.8	111.7	100.7	121.0	117.9

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 29 Jul 2020 00:45:56 (SGT)

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