

February 03, 2023

Indus Towers Limited (formerly Bharti Infratel Limited) - Update on Material Event

Summary of rating(s) action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Commercial paper	6,000.00	6,000.00	[ICRA]A1+
Non-convertible debentures	2,500.00	2,500.00	[ICRA]AA+ (Stable)
Term loans	4,423.00	4,423.00	[ICRA]AA+ (Stable)
Fund based/Non-fund based limits	4,700.00	4,700.00	[ICRA]AA+ (Stable)/[ICRA]A1+
Unallocated limits	2,377.00	2,377.00	[ICRA]AA+ (Stable)/[ICRA]A1+
Total	20,000.00	20,000.00	

Rationale

Indus Towers Limited announced its quarterly results on January 24, 2023, in which it has created sizeable provisions for doubtful debts with regard to one of its customers, which has moderated the company's profitability and credit metrics in the current fiscal. The leverage profile of the company remains comfortable with sound liquidity cushion in the form of sizeable undrawn lines and cash and liquid investments of Rs. 726 crore as on December 31, 2022.

ICRA takes note of the results and the ratings remain unchanged at the earlier rating of [ICRA]AA+(Stable)/A1+.

The ratings take into account Indus Towers Limited's (Indus) leadership position in the telecom tower industry, its pan-India presence, a healthy financial risk profile and its strong operating metrics. In the current fiscal, the margins moderated on account of sizeable provisioning of doubtful debts as a result of lower collection efficiency from one of its key customer – Vodafone Idea Limited (VIL). While Indus and VIL had agreed to a payment plan a few months back and VIL stuck to the payments till December 2022, the inflows were lower than the committed levels in January 2023. Nevertheless, at the current collection efficiency, the cash flows remain adequately comfortable. Moreover, the dividend payout is likely to be more prudent, thereby easing the cash flows, going forward. ICRA expects the collection efficiency from VIL to remain adequate, which coupled with rationalisation of the dividend payout, is likely to keep the credit profile of the company comfortable, going forward.

While the debt position is not likely to deteriorate materially in the medium term at the current level of collections, the collections from VIL remain the key monitorable.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Telecom Tower Infrastructure Providers
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of Indus Towers Limited (formerly Bharti Infratel Limited)

About the company

Indus Towers Limited (formerly Bharti Infratel Limited) was formed post the merger of Indus Towers Limited with Bharti Infratel Limited. It is a tower infrastructure company with pan-India operations. As on December 31, 2022, the company had a portfolio of 189,392 towers with a tenancy ratio of 1.8 times.

Key financial indicators (audited)

Indus Towers Limited (Consolidated)	FY2021	FY2022
^Operating income (Rs. crore)	16,369	17,607
PAT (Rs. crore)	4,975	6,373
OPBDIT/OI (%)	80.0%	84.6%
PAT/OI (%)	30.4%	36.2%
Total outside liabilities/Tangible net worth (times)	1.83	1.17
Total debt/OPBDIT (times)	1.65	1.32
Interest coverage (times)	9.34	9.95

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

^ - OI includes only infrastructure revenues along with energy margins, if any

Source: Company, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Dec 31, 2022 (Rs. crore)	Date & Rating on	Date & Rating on	Date & Rating in FY2022				Date & Rating in FY2021	Date & Rating in FY2020	
					Feb 03, 2023	June 03, 2022	August 27, 2021	June 21, 2021	May 10, 2021	April 9, 2021	Sep 9, 2020	Mar 23, 2020	Jul 3, 2019
1	Commercial paper	Short-Term	6,000.0	1,000.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	NCD	Long-Term	2,500.0	1,500.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)			
3	Term loans	Long-Term	4,423.0	2487.1	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)			
4	FB/NFB limits	Long-Term	-	-	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)			
5	FB/NFB limits	Long-Term /Short-Term	4,700.0	854.9	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-				
6	Unallocated limits	Long-Term /Short-Term	2,377.0	-	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+			
7	Issuer rating	Long-Term	-	-	-	-	-	[ICRA]AA+ (Stable) Withdrawn	[ICRA]AA+ (Stable) placed on notice of withdrawal for 1 month	[ICRA]AA+ (Stable)	[ICRA]AA+ (Negative)	[ICRA]AA+ (Negative)	[ICRA]AA+ (Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper	Very Simple
Non-convertible debentures	Very Simple
Term loans	Simple
Fund based/Non-fund based limits	Simple
Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE121J14218	Commercial paper	18 Nov 2022	7.35%	31 Jan 2023	500	[ICRA]A1+
INE121J14200	Commercial paper	11 Nov 2022	7.35%	2 Feb 2023	500	[ICRA]A1+
NA	Commercial paper*	NA	NA	7-365 days	5,000	[ICRA]A1+
INE121J08020	Non-convertible debenture	Dec 2022	8.20%	FY2026	375	[ICRA]AA+ (Stable)
INE121J08038	Non-convertible debenture	Dec 2022	8.20%	FY2026	375	[ICRA]AA+ (Stable)
INE121J08046	Non-convertible debenture	Dec 2022	8.20%	FY2025	750	[ICRA]AA+ (Stable)
Not issued	Non-convertible debenture	NA	NA	NA	1,000	[ICRA]AA+ (Stable)
NA	Term loans	FY2021- FY2023	5.2%- 6.3%	FY2023- FY2025	4,423	[ICRA]AA+ (Stable)
NA	Fund based/ Non-fund based limits	NA	NA	NA	4,700	[ICRA]AA+ (Stable) /[ICRA]A1+
NA	Unallocated	NA	NA	NA	2,377	[ICRA]AA+ (Stable)/[ICRA] A1+

Source: Company

*not placed

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Smartx Services Limited	100%	Full Consolidation

Source: Company Annual Report

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