

August 30, 2024

Bharti Telecom Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	5,000.00	5,000.00	[ICRA]A1+; reaffirmed
Total	5,000.00	5,000.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Bharti Telecom Limited's (BTL) status as the holding company of Bharti Airtel Limited (BAL), a leading player in the Indian telecommunications industry. The company enjoys healthy financial flexibility on account of its 39.14% stake in BAL as on June 30, 2024, which has a market value of more than Rs. ~3,35,000 crore (as on August 26, 2024) and provides significant market value buffer. The rating also continues to derive comfort from BTL's reputed and resourceful promoters—Bharti Group and Singapore Telecommunications Limited (Singtel).

BTL is dependent on dividends from its only investee company—BAL. In the current fiscal, BTL will receive around Rs. 1,800 crore as dividends from BAL and this is expected to increase, going forward. Moreover, while the market value buffer is comfortable, it remains vulnerable to BAL's share price movement.

ICRA also notes that the debt levels in BTL as on June 30, 2024 were around Rs. 25,000 crore as debt was availed to fund its portion in the rights issue of BAL in October 2021, followed by the acquisition of stake from the Singtel Group and a Mittal family company. In the first call of BAL's Rs. 21,000-crore rights issue in October, only 25% of the amount was collected, while the balance will be called out in the future. However, no date has been assigned yet. Moreover, BTL has bought more stake in BAL, which was sold by the Singtel Group. Thus, the debt levels in BTL have increased materially, although they are likely to remain comfortable compared to the market value of the investments.

Key rating drivers and their description

Credit strengths

Principal holding company of BAL – BTL held around 39.14% stake in BAL as on June 30, 2024, which has an established market position in the telecom industry in India through integrated telecommunications operations with a diversified presence across geographies and business verticals. BAL's operating metrics have been consistently improving, positively impacting its financial risk profile as well. Thus, a consistent improvement in the cash flow generation from operations would continue to strengthen BAL's credit profile, going forward.

Reputed and resourceful promoter group – The company has reputed and resourceful promoters, namely BEHPL that holds a 50.6% stake, and the Singtel Group that owns a 49.4% stake. Moreover, the promoters have followed a conservative approach in the past by infusing equity and deleveraging the company.

Healthy financial flexibility and market value buffer – The market value of BTL's investment is more than Rs. 3,35,000 crore (as on August 26, 2024). With its stake being entirely unencumbered, BTL has a healthy financial flexibility, indicated in the very low total debt/market value of the unencumbered asset ratio.

Credit challenges

Investment concentration in BAL – BAL is BTL's only investment, making its operating cash flow dependent on the dividends and, thus, the performance of this investee company. Its primary source of income is the dividend income from BAL. BAL declared dividend in FY2024, of which BTL received ~Rs. 880 crore. In the current fiscal, the company will receive a dividend of Rs. ~1,800 crore.

Vulnerability to market risks – BTL's investment value in BAL is vulnerable to the share price performance of BAL and remains exposed to market risks.

Liquidity position: Strong

The company does not have any operations of its own and primarily derives income from the dividends from BAL. While the cash flows/dividends may not be sufficient to cover the debt repayments at BTL, the strong liquidity emanates from the healthy market value buffer on investments. BTL also enjoys healthy financial flexibility by virtue of a low total debt/market value of unencumbered assets, and its strong and reputed promoters.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors– Pressure on the rating could arise if there is a significant deterioration in the credit profile of the key investee company - BAL. Any significant increase in BTL's debt levels, and/or a significant decline in the market value buffer of its investments in BAL would also impact its financial flexibility and weigh on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Investment companies
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

BTL is a part of the Bharti Group, which has been promoted by Mr. Sunil Bharti Mittal. The company primarily has investments in BAL. BTL does not have any operations of its own and derives its income from the dividends from BAL and income from the other investments of surplus funds. It is the holding company of Bharti Airtel Limited (the principal operating company), which is a leading player in the Indian telecommunications industry. BTL's promoters are the Bharti Group and Singapore Telecommunications Limited (Singtel), rated A1(Stable) by Moody's Investor Services.

About the Sponsors

Bharti Enterprises (Holding) Private Limited – It is a holding company of the Mittal family, which has investments in the Bharti Group's businesses like telecom and insurance. BEHPL holds a 50.56% stake in BTL and is rated [ICRA]A1+.

SingTel Group – Singapore Telecommunications Limited (SingTel) is the leading integrated communications services provider in Singapore. It is also the second-largest integrated telecommunications operator in Australia through its wholly-owned subsidiary Singtel Optus Pty Limited. Singtel also has a number of investments in cellular operators throughout the region, resulting in a regional footprint in 21 countries. The company is 52% owned by Temasek Holdings (Private) Limited, which in turn is 100% owned by the Government of Singapore. Singtel holds a 49.44% stake in BTL and is rated Moody's A1 (Stable).

Key financial indicators (audited)

BTL Standalone	FY2023	FY2024
Operating income	610.0	882.0
PAT	-305.0	-917.0
OPBDIT/OI	99.5%	99.7%
PAT/OI	-49.9%	-103.9%
Total outside liabilities/Tangible net worth (times)	2.0	3.5
Total debt/OPBDIT (times)	26.7	29.0
Interest coverage (times)	0.8	0.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
Instrument				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Aug 30, 2024	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	5000.00	[ICRA]A1+	02-AUG-2023	[ICRA]A1+	28-JUL-2022	[ICRA]A1+	04-MAR-2022	[ICRA]A1+
				-	-	23-AUG-2022	[ICRA]A1+	-	-
				-	-	12-SEP-2022	[ICRA]A1+	-	-
				-	-	27-SEP-2022	[ICRA]A1+	-	-
Commercial paper	Short Term	-	-	02-AUG-2023	[ICRA]A1+; withdrawn	28-JUL-2022	[ICRA]A1+	04-MAR-2022	[ICRA]A1+
						23-AUG-2022	[ICRA]A1+		
						12-SEP-2022	[ICRA]A1+		
						27-SEP-2022	[ICRA]A1+		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple

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	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE403D14510	Commercial paper	15-02-2024	8.60%	30-08-2024	660	[ICRA]A1+
INE403D14528	Commercial paper	27-02-2024	8.72%	26-02-2025	1,980	[ICRA]A1+
NA*	Commercial paper	NA	NA	NA	2,360	[ICRA]A1+

Source: Company

* Unplaced

Annexure II: List of entities considered for consolidated analysis- Not applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 12 4454 5322

prashant.vasisht@icraindia.com

Ankit Jain

+91 12 4454 5865

ankit.jain@icraindia.com

Saurabh Parikh

+91 22 6169 3300

saurabh.parikh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.