

October 16, 2024

Bharti Telecom Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	5,000.00	15,000.00	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	5,000.00	15,000.00	

*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. ~4,00,000 crore (as on October 15, 2024) and provides significant market value buffer. The rating also continues to derive comfort from BTL's reputed and resourceful promoters — the Bharti Group and Singapore Telecommunications Limited (Singtel).

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

ICRA also notes that BTL's debt levels were around Rs. 24,290 crore as on October 15, 2024, 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. 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 future. However, no date has been assigned to it. Moreover, BTL has bought more stake in BAL from other promoter entities. 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 a 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 along with its financial risk profile. Moreover, BAL's deleveraging initiatives in the past, including the sizeable fund-raising and the recent rights issue and equity infusion by Google, demonstrate its financial flexibility. Thus, a consistent improvement in the cash flow generation from operations would 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 holds 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 – The market value of BTL's investment is more than Rs. 4,00,000 crore (as on October 15, 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 a dividend of ~Rs. 880 crore. In the current fiscal, the company has received 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. Additionally, 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 the 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

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 16, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	15000.00	[ICRA]A1+	30-AUG-2024	[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
INE403D14528	Commercial paper	27-02-2024	8.72%	26-02-2025	1,980	[ICRA]A1+
NA*	Commercial paper	NA	NA	NA	13,020	[ICRA]A1+

Source: Company *- unplaced

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

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