

Bharti Infratel Limited

Instrument	Amount	Rating Action
	In Crore	August 2016
Issuer Rating	N.A.	Reaffirmed at IrAA+ (Stable)

ICRA has reaffirmed the Issuer Rating at IrAA+ (pronounced I R double A plus) for Bharti Infratel Limited (Bharti Infratel). The outlook on the rating is 'stable'. IrAA+ is the high-credit-quality rating assigned by ICRA; the rated entity carries low credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.

The rating reaffirmation factors in Bharti Infratel's established position in the telecom tower industry, healthy growth in its net tenancy (consolidated closing net tenancy of 2.20 times as on June 30, 2016 as against 2.14 times as on June 30, 2015) with resultant revenue growth and profitability improvement, its strong operational linkages with Bharti Airtel Limited (Bharti), and its strategic importance in the telecom operations of the Bharti Group. The rating also factors in its healthy customer mix with top three telecom operators (telcos) in the country namely Bharti, Vodafone India Limited (Vodafone) and Idea Cellular Services Limited (Idea) accounting for majority (around 85%) of its revenues. Further the rating factors in Bharti Infratel's strategic investment (42% stake) in Indus Towers Limited (Indus) - India's largest telecom tower company with strong operating metrics. Further ICRA continues to take into consideration the strong financial profile of the company as reflected by its low gearing (consolidated (including Indus Towers Limited) gearing of 0.09 times as on March 31, 2016) and strong debt protection metrics. Moreover on standalone basis, the company continues to have negative net debt given sizeable cash balance in hand (around Rs. 7,000 crore as on March 31, 2016).

Bharti Infratel is a subsidiary of Bharti Airtel Limited which is the largest telco in the country (rated [ICRA]AA+ (Stable)/A1+ and IrAA+ (Stable)) and has an established track record of setting-up and managing telecom towers. The company enjoys healthy tenancies from Bharti Vodafone and Idea while also having tenancies from other telcos; however, it faces competition from other established tower infrastructure companies in the country. Also, the company has some degree of revenue concentration from top three telcos. ICRA has taken note of the capital intensive nature of operations, necessitating constant investment in the tower network for maintenance and improvements at established sites. Moreover, the company remains exposed to regulatory risks in the telecom tower industry and the telecom sector in general.

Company Profile:

Bharti Infratel Limited was incorporated in November 2006 as a 100% subsidiary of Bharti Airtel Limited. On January 31, 2008, as per the Scheme of Arrangement approved by High Court of Delhi the passive infrastructure business (telecom tower portfolio) of Bharti Airtel was transferred to Bharti Infratel. The company came out with initial public offer (IPO) in December 2012 and Bharti has also offloaded some of its stake in Bharti Infratel in FY2015. The shareholding of Bharti Airtel Limited stands at 71.7% as on June 30, 2016.

Bharti Infratel had a large tower portfolio spread over 22 telecom circles. In order to increase operational efficiencies, Bharti Infratel along with Vodafone India Limited and Idea Cellular Limited formed another Tower company – Indus Towers Limited to provide passive infrastructure services in 15 telecom circles of India. Bharti Infratel holds 42% stake in Indus Towers Limited. On a consolidated basis Bharti Infratel has a tower portfolio of 89,352 towers as on June 30, 2016 with net tenancy of 2.20 times.

Recent Results

During FY2016, on consolidated basis company has reported revenues of Rs. 8,049 crore and profit after tax of Rs. 2,382 as against revenues of Rs. 7,473 crore and profit after tax of Rs. 1,992 during FY2015.

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