



Bharti Infratel Limited

Instrument	Amount	Rating Action
	In Crore	October 2015
Issuer Rating	N.A.	IrAA+ (Stable) Reaffirmed

ICRA has reaffirmed Issuer Rating of IrAA+ (pronounced I R Double A plus) assigned to Bharti Infratel Limited (Bharti Infratel). The outlook on the rating is 'stable'. IrAA+ rating indicates high-credit-quality; 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, steady growth in its net tenancy with resultant revenue growth and profitability improvement, its strong operational and ownership linkages with Bharti Airtel Limited (Bharti Airtel), and its strategic importance in the telecom operations of the Bharti Group. The rating also factors in its strategic investment (42% stake) in Indus Towers Limited (Indus) - India's largest telecom tower company with strong operating metrics. ICRA also takes into consideration the strong financial profile of the company as reflected by its low gearing (consolidated gearing of 0.16 times as on March 31, 2015) and strong debt protection metrics. Bharti Infratel is a subsidiary of Bharti Airtel Limited which is the largest telecom operator in the country (rated [ICRA]AA+ (Stable) and IrAA+ (Stable)) and has an established track record of setting-up and managing telecom towers. Bharti Infratel enjoys the preferred vendor status for Bharti Airtel's existing as well as new services, and Indus enjoys a preferred status from the top 3 operators- Bharti Airtel, Vodafone and Idea. The top 3 operators contribute the largest proportion of revenues of the two companies thereby underpinning the strength of cashflows; however, it faces competition from other established tower infrastructure companies in the country, which could exert pressure on its occupancy levels and rentals. Further the rating is constrained by the moderate return indicators for the company. ICRA notes that the company has healthy annual cash flow generation and sizeable cash balance as of now and it is in lookout for some acquisition/investment, the impact of which remains to be seen.

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. In 2007-08, a group of international investors infused Rs. 5,043 crore (through equity and compulsorily convertible debentures) in Bharti Infratel; post equity infusion and conversion of compulsorily convertible debentures the shareholding of Bharti Airtel decreased to 87%. Following the completion of IPO in December 2012 and the sale of some of its stake in FY15, the shareholding of Bharti Airtel Limited has reduced to 71.8%.

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 87,184 towers as on September 30, 2015 with net tenancy of 2.16 times.

Recent Results

During H1FY16, on consolidated basis company has reported revenues of Rs. 6,054 crore and profit after tax of Rs. 1,155 as against revenues of Rs. 8,773 crore and profit after tax of Rs. 928 during H1FY15. During FY15, company has reported consolidated revenues of Rs. 7,473 crore and profit after tax of Rs. 1,992 crore.

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