Bharti Infratel Limited

May 07, 2018

Summary of Rated Instrument:

Instrument	Current Rated Amount (Rs. crore)	Rating Outstanding
Issuer Rating	NA	[ICRA]AA+ (Stable)

Material Event

As per a recent announcement (dated April 25, 2018), Bharti Infratel Limited (BIL) and Indus Towers Ltd. (Indus, rated [ICRA]AA+(Stable)/[ICRA]A1+) are merging, which will create the largest tower company in India with pan-India coverage and a total tower portfolio of over 163,000 towers (as on March 31, 2018). Indus is joint venture (JV) company in which BIL holds 42% stake. The combined company, which will fully own the respective businesses of BIL and Indus, will change its name to Indus Towers Limited and will continue to be listed on the Indian stock exchanges. The other shareholders in Indus are Vodafone India Limited (Vodafone), Aditya Birla Telecom Limited (ABTL, Idea Group) and Providence Equity Partners (Providence) out of which Idea Group and Providence have the option to retain or sell their stake (partially for Providence) to BIL for cash. The combined entity will have shareholding from Bharti Airtel Limited (Bharti, rated [ICRA]AA+(Stable)/[ICRA]A1+), Vodafone and Idea Group (if it elects to receive shares), none of which will be subject to a lock-in. The transaction is conditional on regulatory and other approvals and is expected to close before the end of the financial year ending 31 March 2019.

Impact of the Material Event

The rating remains unchanged at the earlier rating of [ICRA]AA+(Stable) as the conclusion of the transaction and any consequent impact of the same on the credit profile of the company is some time away.

The rating factors in BIL's established position in the telecom tower industry and healthy tenancy additions from Bharti and Reliance Jio Infocomm Limited (RJio) with resultant revenue growth and profitability improvement. 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 of its revenues. ICRA also continues to take into consideration the strong financial profile of the company as reflected by its nil debt as on March 31, 2018, robust debt coverage metrics and sizeable cash and cash equivalents of around Rs. 6,600 crore as on March 31, 2018. Further, the business has a steady outlook over the longer term with rising data usage in the telecom services industry expected to drive demand for tower infrastructure, which is expected to result in steady cashflow generation. However, ICRA has taken note of the weak outlook for the telecom industry in India, which is witnessing intense competition and pricing pressures. The ratings also factor in the ongoing consolidation in the telecom industry including the merger of Vodafone and Idea, which constitute a healthy portion of BIL's tenancies, and the exit/curtailment of operations of some telcos (Tata Teleservices, Reliance Communications, Aircel etc.) resulting into some loss of tenancies for the company. Given the high operating leverage of the business, any adverse impact on the revenues, if and when it occurs, would impact EBITDA.

The previous detailed rating rationale is available on the following link: Click here

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
Sabyasachi@icraindia.com

Harsh Jagnani
+91-124-4545394
harshj@icraindia.com

Sachin Sachdeva
+91-124-4545307
Sachin.sachdeva@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar
+91 22 61143406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (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.

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ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
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