

Bharti Airtel Limited

December 06, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	6,000.00	10,000.00	[ICRA]A1+; assigned for enhanced amount
Issuer Rating	NA	NA	Outstanding [ICRA]AA+(Negative)
Term Loans	4,600.00	4,600.00	Outstanding [ICRA]AA+(Negative)
Working Capital Limits (rated on long term scale)	2,250.00	2,250.00	Outstanding [ICRA]AA+(Negative)
Working Capital Limits (rated on short term scale)	250.00	250.00	Outstanding [ICRA]A1+

Rationale

The ratings continue to take into consideration Bharti's established market position in the telecom industry in India, its integrated telecommunications operations, its diversified presence across geographies and business verticals, economies of scale with presence in large telecom markets like India and Africa, and 39.5% effective ownership¹ by Singapore Telecommunications Limited's {rated A1(Stable) by Moody's Investor Services}. ICRA also takes into consideration the steps taken by the company over the last two years to consolidate its market position and its spectrum holding, through acquisition of data centric spectrum and through mergers and acquisition.

However, ICRA takes note of the continued pressure on the debt coverage metrics of the company driven by persisting weakness in the India mobile operations and the increase in debt to fund the ongoing capex. The capex, which has increased significantly (to Rs. 26,818 crore in FY2018 from Rs. 19,875 crore in FY2017) is guided to remain high in FY2019 as the company continues its focus on 4G network rollout and network improvement in India. Thus the scope of organic deleveraging in medium term remains limited. ICRA also takes note that the company is exploring deleveraging options over the next few quarters including - dilution of stake in the (to be merged) Bharti Infratel Limited (BIL) and Indus Towers Limited (Indus); partial stake sale in Africa operations (the company has already raised 1.25 bn USD through private placement in Africa operations), and other transactions. Nevertheless, the debt coverage metrics of the company are expected to remain under pressure in the medium, especially till the time organic cash flows improve meaningfully.

Outlook: Negative

Improvement in credit metrics hinges on uptick in operating performance. This will follow from improvement in pricing power given a consolidated structure and firm data usage by the subscribers. Till such time, the deleveraging transactions can provide cushion. The timing and quantum of these deleveraging plans remains to be seen. The rating faces downward pressure in case the operating performance deteriorates, or deleveraging plans get delayed.

¹ Singapore Telecommunications Limited (SingTel) invested Rs. 2,649 crore in BAL's parent Bharti Telecom Limited through preferential allotment of shares in March 2018 thereby raising its effective stake in BAL to 39.5%.

Key rating drivers

Credit strengths

- **Established market position** – Bharti enjoys established market position in the telecom industry in India (with a revenue market share² of 30.8% in Q1 FY2019 and subscriber market share of 29.4% as on September 30, 2018). In addition, its integrated telecommunications operations and economies of scale provide a competitive advantage.
- **Robust spectrum portfolio** - Over the years, Bharti has shored up its spectrum holding by acquiring spectrum through auctions. In addition, the company has been active outside of auctions in acquisition of data centric spectrum.
- **Diversified operations** - Bharti enjoys diversified presence across geographies with non-India operations (primarily Africa) contributing 27% to the consolidated revenues in H1 FY2019. In addition, the company generates around 23% (H1 FY2019) of consolidated revenues from India non-mobile operations. Both these provide cushion against the weak cash flows from operations in the India mobile operations.
- **Improvement in Africa performance** – The company has reported steady improvement in performance of African operations over last few quarters driven by growth in data uptick and several cost optimisation initiatives by the company.

Credit challenges

- **Persisting high competitive intensity in the industry** – the competitive intensity in the Indian telecommunications industry has remained elevated over the last few years leading to pressure on realisations for all players. For Bharti, the ARPU in India mobile operations has declined to Rs. 101 in Q2 FY2019 from Rs. 142 in Q2 FY2018.
- **Pressures on EBITDA generation in India Mobile Services:** with the persisting competitive pressures the India mobile operations have witnessed decline in revenue and profitability. The EBITDA margin in India mobile business has declined to 20.9% in Q2 FY2019 from 34.4% in Q2 FY2018.
- **Moderate debt coverage** – amid pressures on operating cashflow generations, the company faces high capex requirements, thereby keeping the debt level elevated. Consequently, the net debt/EBITDA stood elevated. Given the need for continued capex and pressures on cashflow generation, organic deleveraging remains challenging. However, inorganic deleveraging plans are expected to reduce debt and improve leverage.

Liquidity position

The debt levels of the company continue to remain high (gross debt of Rs 123,216 crore as on September 30, 2018) and is expected to remain elevated on account of sizeable capex requirements. Its cash flow from operations, after meeting capex and dividend are expected to be insufficient to meet debt servicing obligations. However, company's access to capital markets and banks for refinancing provide comfort. Moreover, it has already raised funds and signed committed bank lines for near-term debt repayments. Further, the company is undertaking significant deleveraging initiatives to reduce its overall debt. In addition, the company had Rs. 11,813 crore as unrestricted cash and investments as on September 30, 2018.

² Based on sum of Adjusted Gross Revenue (AGR), National Long Distance (NLD) revenue, International Long Distance (ILD) revenue and Internet Service Provider (ISP) revenue reported by Telecom Regulatory Authority of India (TRAI)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Mobile Service Providers
Parent/Group Support	Not Applicable
Consolidation / Standalone	The ratings are based on the consolidated financial profile of the company

About the company

Bharti Airtel (Bharti) is one of India's leading integrated telecommunication service providers. For its Indian operations, Bharti has five strategic business units (SBUs)– mobile services, home services, airtel business, tower infrastructure and digital TV services. The mobile services group provides global system for mobile communications (GSM) mobile services in all 22 telecommunication circles across India, while the home services group provides broadband and wireline services. The airtel business group provides long distance services and services to corporates. The company also provides passive infrastructure services through its subsidiary, BIL and joint venture – Indus Towers Limited. Furthermore, the company also provides mobile services in Sri Lanka, Bangladesh and 14 countries in Africa.

For FY2018, on consolidated basis company has reported revenues of Rs. 83,937 crore and profit after tax of Rs. 2,184 crore as against revenues of Rs. 95,589 crore and profit after tax of Rs. 4,241 crore in FY2017.

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	95,589	83,937
PAT (Rs. crore)	4,241	2,183
OPBDIT/OI (%)	37.1%	36.1%
RoCE (%)	9.4%	6.5%
Total Debt/TNW (times)	1.37	1.36
Total Debt/OPBDIT (times)	2.87	3.51
Interest Coverage (times)	4.51	3.72

Source: Bharti's annual reports, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Current Rating (FY2019)					Chronology of Rating History for the past 3 years							
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating	Date & rating	Date & Rating in FY2018	Date & Rating in FY2018	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2017	Date & Rating in FY2016	
				Dec 2018	Aug 2018*	Feb 2018*	Dec 2017*	Apr 2017*	Dec 2016*	Sep 2016	May 2015	
1	Commercial Paper	Short-term	10,000.0	-	[ICRA]A 1+	[ICRA]A1+	[ICRA]A 1+	[ICRA]A 1+	[ICRA]A1 +	[ICRA]A1 +	-	-
2	Issuer rating	Long-term	NA	-	[ICRA]A A+ (Negative)	[ICRA]AA+ (Negative)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)	[ICRA]AA + (Stable)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)
3	Term Loans	Long-term	4,600.0	^	[ICRA]A A+ (Negative)	[ICRA]AA+ (Negative)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)	[ICRA]AA + (Stable)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)
4	Working Capital Limits	Long-term	2,250.0	-	[ICRA]A A+ (Negative)	[ICRA]AA+ (Negative)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)	[ICRA]AA + (Stable)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)	[ICRA]A A+ (Stable)
5	Working Capital Limits	Short-term	250.0	-	[ICRA]A 1+	[ICRA]A1+	[ICRA]A 1+	[ICRA]A 1+	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +

*Earlier amount of CP rated was lower

^- Not available

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper	NA	NA	7-365 days	10,000.0	[ICRA]A1+
NA	Issuer Rating	-	-	-	NA	[ICRA]AA+ (Negative)
NA	Term Loans	*	*	*	4,600.0	[ICRA]AA+ (Negative)
NA	Working Capital Limits (rated on long term scale)	-	-	-	2,250.0	[ICRA]AA+ (Negative)
NA	Working Capital Limits (rated on short term scale)	-	-	-	250.0	[ICRA]A1+

Source: Bharti Airtel Limited

* Not available

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership As on March 31, 2018	Consolidation Approach
Bharti Hexacom Limited	70%	Full Consolidation
Nxtra Data Limited	100%	Full Consolidation
Smartx Services Limited	53.5%	Full Consolidation
Telesonic Networks Limited	100%	Full Consolidation
Wynk Limited	100%	Full Consolidation
Bharti Digital Networks Private Limited (Formerly known as Tikona Digital Networks Private Limited; subsidiary w.e.f. August 24, 2017)	100%	Full Consolidation
Bharti Telemedia Limited	95%	Full Consolidation
Bharti Infratel Limited	53.5%	Full Consolidation
Nettle Infrastructure Investments Limited	100%	Full Consolidation
Airtel Payments Bank Limited	80.1%	Full Consolidation
Bharti Airtel Services Limited	100%	Full Consolidation
Indo Teleports Limited	100%	Full Consolidation
Airtel DTH Services Nigeria Limited	100%	Full Consolidation
Africa Towers Services Limited	100%	Full Consolidation
Bangladesh Infratel Networks Limited	100%	Full Consolidation
Bharti Infratel Lanka (Private) Limited	100%	Full Consolidation
Congo RDC Towers S.A.	100%	Full Consolidation
Gabon Towers S.A.	90%	Full Consolidation
Madagascar Towers S.A.	100%	Full Consolidation
Malawi Towers Limited	100%	Full Consolidation
Tanzania Towers Limited	60%	Full Consolidation
Towers Support Nigeria Limited	83.25%	Full Consolidation
Gabon Towers S.A.	90%	Full Consolidation
Africa Towers N.V.	100%	Full Consolidation
Airtel Mobile Commerce B.V.	100%	Full Consolidation
Airtel Mobile Commerce Holdings BV	100%	Full Consolidation
Bharti Airtel Africa B.V.	100%	Full Consolidation

Company Name	Ownership As on March 31, 2018	Consolidation Approach
Bharti Airtel Burkina Faso Holdings Bv	100%	Full Consolidation
Bharti Airtel Chad Holdings B.V.	100%	Full Consolidation
Bharti Airtel Congo Holdings B.	100%	Full Consolidation
Bharti Airtel Developers Forum Limited	96.36%	Full Consolidation
Bharti Airtel DTH Holdings B.V. #	100%	Full Consolidation
Bharti Airtel Gabon Holdings B.V.	100%	Full Consolidation
Bharti Airtel Ghana Holdings B.V.	100%	Full Consolidation
Bharti Airtel International (Mauritius) Limited	100%	Full Consolidation
Bharti Airtel International (Netherlands) B.V.	100%	Full Consolidation
Bharti Airtel Kenya B.V.	100%	Full Consolidation
Bharti Airtel Kenya Holdings B.V.	100%	Full Consolidation
Bharti Airtel Madagascar Holdings BV	100%	Full Consolidation
Bharti Airtel Malawi Holdings B.V.	100%	Full Consolidation
Bharti Airtel Mali Holdings B.V.	100%	Full Consolidation
Bharti Airtel Niger Holdings B.V.	100%	Full Consolidation
Bharti Airtel Nigeria B.V.	100%	Full Consolidation
Bharti Airtel Nigeria Holdings B.V. #	100%	Full Consolidation
Bharti Airtel Nigeria Holdings II B.V.	100%	Full Consolidation
Bharti Airtel RDC Holdings B.V.	100%	Full Consolidation
Bharti Airtel Rwanda Holdings Limited	100%	Full Consolidation
Bharti Airtel Services B.V.	100%	Full Consolidation
Bharti Airtel Tanzania B.V.	100%	Full Consolidation
Bharti Airtel Uganda Holdings B.V.	100%	Full Consolidation
Bharti Airtel Zambia Holdings B.V.	100%	Full Consolidation
Celtel (Mauritius) Holdings Limited	100%	Full Consolidation
Channel Sea Management Company (Mauritius) Limited	100%	Full Consolidation
Indian Ocean Telecom Limited	100%	Full Consolidation
Montana International	100%	Full Consolidation
MSI-Celtel Nigeria Limited	100%	Full Consolidation
Partnership Investments Sprl	100%	Full Consolidation
Société Malgache de Téléphone Cellulaire S.A.	100%	Full Consolidation
Bharti Airtel International (Mauritius) Investments Limited (incorporated on March 26, 2018)	100%	Full Consolidation
Airtel Mobile Commerce (Ghana) Limited	99.89%	Full Consolidation
Airtel Mobile Commerce (Kenya) Limited	100%	Full Consolidation
Airtel Mobile Commerce (Seychelles) Limited	100%	Full Consolidation
Airtel Mobile Commerce (Tanzania) Limited	100%	Full Consolidation
Airtel Mobile Commerce Limited	100%	Full Consolidation
Airtel Mobile Commerce Madagascar S.A.	100%	Full Consolidation
Airtel Mobile Commerce Rwanda Limited	100%	Full Consolidation
Airtel Mobile Commerce Tchad S.a.r.l.	100%	Full Consolidation
Airtel Mobile Commerce Uganda Limited	100%	Full Consolidation
Airtel Mobile Commerce Zambia Limited	100%	Full Consolidation
Airtel Money (RDC) S.A.	100%	Full Consolidation
Airtel Money Niger S.A.	90%	Full Consolidation
Airtel Money S.A. (Gabon)	100%	Full Consolidation
Airtel Money Transfer Limited	100%	Full Consolidation
Mobile Commerce Congo S.A.	100%	Full Consolidation

Company Name	Ownership As on March 31, 2018	Consolidation Approach
Zap Trust Company Nigeria Limited	100%	Full Consolidation
Airtel Money Tanzania Limited	60.04%	Full Consolidation
Airtel Mobile Commerce Nigeria Limited (incorporated on August 31, 2017)	83.25%	Full Consolidation
Network i2i Limited	100%	Full Consolidation
Airtel (Seychelles) Limited	100%	Full Consolidation
Airtel Congo (RDC) S.A.	98.50%	Full Consolidation
Airtel Congo S.A.	90%	Full Consolidation
Airtel Gabon S.A.	90%	Full Consolidation
Airtel Ghana Limited	99.89%	Full Consolidation
Airtel Madagascar S.A.	100%	Full Consolidation
Airtel Malawi Limited	100%	Full Consolidation
Airtel Networks Kenya Limited @	100%	Full Consolidation
Airtel Networks Limited	83.25%	Full Consolidation
Airtel Rwanda Limited	100%	Full Consolidation
Airtel Tanzania Public Limited Company	60%	Full Consolidation
Airtel Tchad S.A.	100%	Full Consolidation
Airtel Uganda Limited	100%	Full Consolidation
Bharti Airtel (France) SAS	100%	Full Consolidation
Bharti Airtel (Hong Kong)	100%	Full Consolidation
Bharti Airtel (Japan) Private	100%	Full Consolidation
Bharti Airtel (UK) Limited	100%	Full Consolidation
Bharti Airtel (USA) Limited	100%	Full Consolidation
Bharti Airtel Lanka (Private) Limited	100%	Full Consolidation
Bharti International (Singapore) Pte. Ltd.	100%	Full Consolidation
Celtel Niger S.A.	90%	Full Consolidation
Airtel Networks Zambia Plc	96.36%	Full Consolidation
Tigo Rwanda Limited (Subsidiary w.e.f. January 31, 2018)	100%	Full Consolidation
Seynse Technologies Private Limited	22.54%	Equity Method
Juggernaut Books Private Limited (acquired on November 29, 2017)	10.71%	Equity Method
Seychelles Cable Systems Company Limited	26%	Equity Method
Robi Axiata Limited	25%	Equity Method
Indus Towers Limited	22.5%	Equity Method
FireFly Networks Limited	50%	Equity Method
Bridge Mobile Pte Limited	10%	Equity Method
Bharti Airtel Ghana Holdings B.V.	50%	Equity Method
Airtel Mobile Commerce (Ghana) Limited	49.95%	Equity Method
Mobile Financial Services Limited	50%	Equity Method
Airtel Ghana Limited	49.95%	Equity Method
Millicom Ghana Company Limited	49.95%	Equity Method

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
communications@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.

For more information, visit www.icra.in

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,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 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