

BHARTI INFRATEL LIMITED. (BIL)

Stock Performance Details

Current Price	: Rs. 194.45**
Face Value	: Rs. 10 per share
52 wk High / Low	: Rs. 215.5 / Rs. 184.9
Total Traded Volumes	: 14,584 shares**
Market Cap	: Rs. 36,507 crore**
Sector	: Telecom Tower Services
EPS (FY2012)	: Rs. 1.44 per share
P/E (TTM)	: 39.55 (x)^
P/BV (TTM)	: 2.07 (x)^
Financial Year End	: 1 st April - 31 st March
BSE Scrip Name	: INFRATEL
BSE Scrip Code	: 534816

**as on 13th February, 2013; ^ as on Dec, 2013

Shareholding Details - December 2012

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	1,50,00,00,000	79.42
Total Institutional Holdings (FIIs & DIIs)	19,97,90,678	10.58
Public Holdings	18,88,52,164	10.00
Total	1,61,86,422	100.00

IPO Objectives

Particulars	Amount (Rs. Million)
Installation of 4,813 New Towers	10,865.6
Upgradation & Replacement of Existing Towers	12,140.8
Green Initiatives at tower sites	6,393.6
General Corporate Purposes	2,771.5
Offer For Sale Proceeds @ Issue Price of Rs. 220	9,386.5
Total	41,558.0

Background

- Bharti Infratel Ltd (BIL), the mobile tower unit of the telecom major Bharti Airtel Ltd is the largest tower and related infrastructure provider with 80,656 towers (equivalent interest) across all the 22 circles in the country, including the number of towers owned and operated by Indus Towers (Indus) in which the company has 42 per cent equity interest.
- Vodafone India and Aditya Birla Telecom respectively hold 42 per cent and 16 per cent equity interest in the joint venture (Indus).
- As on September 30, 2012, BIL owned and operated 34,220 towers in 11 telecommunications circles while Indus operated 110,561 towers in 15 telecommunications circles. In terms of installed tower capacity, the company has 21 per cent (80,656/3,76,000*100) share of total number of towers including its equivalent interest in Indus.
- As on September 30, 2012, the parent company (Bharti Airtel held 86.1 per cent and the balance was held by private equity investors and includes arms of Singapore state investor Temasek, KKR Towers Company and Goldman Sachs and others.
- The proceeds of Rs. 10,865 million raised during the IPO are planned to be utilized towards installation of 4,813 new towers in category B and category C telecom circles, Rs. 12,140 million for upgradation and replacement on existing towers, Rs 6,393 million towards green initiatives at tower sites and general corporate purposes. Balance of more than one-fifth of the total issue proceeds were towards an offer for sale.

Financial Snapshot

Particulars	Consolidated (Rs million)					
	6M FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Income Statement						
Income from Operations	49,720	94,521	85,081	70,387	50,506	7,051
Y-o-Y Growth (%)		11.1%	20.9%	39.4%	616.3%	-
Other Income	1,189	1,450	1,177	901	1,267	6
Total Income	50,909	95,971	86,258	71,288	51,773	7,057
Y-o-Y Growth (%)		11.3%	21.0%	37.7%	633.6%	-
EBITDA	19,627	36,841	32,465	25,086	16,370	2,589
Y-o-Y Growth (%)		13.5%	29.4%	53.2%	532.4%	-
EBITDA Margin (%)	38.6%	38.4%	37.6%	35.2%	31.6%	37%
Net Profit	4,605	7,507	5,515	2,530	1,952	404
Y-o-Y Growth (%)		36.1%	118.0%	29.6%	383.6%	-
NPM (%)	9.0%	7.8%	6.4%	3.5%	3.8%	5.7%
Balance Sheet						
Total Debt	32,169	31,593	42,638	42,908	25,836	31,347
Liabilities & Provisions	53,469	50,559	44,346	41,646	74,866	24,960
Net Worth	1,43,049	1,45,242	1,39,949	1,36,276	1,03,517	1,02,553
Total Fixed Assets	1,67,849	1,69,132	1,79,549	1,79,400	1,71,841	1,19,409
Working Capital	5,335	7,536	6,007	7,403	-40,274	18,670
Balance Sheet Ratios						
Fixed Asset Turnover Ratio (x)	0.3 x	0.6 x	0.5 x	0.4 x	0.4 x	0.1 x
Debt / Equity (x)	0.2 x	0.2 x	0.3 x	0.3 x	0.2 x	0.3 x
Net Debt / EBITDA (x)	1.5 x	0.8 x	1.3 x	1.4 x	1.5 x	11.5 x
ROCE (%)	4.3%	7.9%	6.1%	3.7%	2.1%	0.7%
RONW (%)	3.2%	5.2%	3.9%	1.9%	1.9%	0.4%

Source : RHP, Note: Ratios are calculated based on data in the RHP

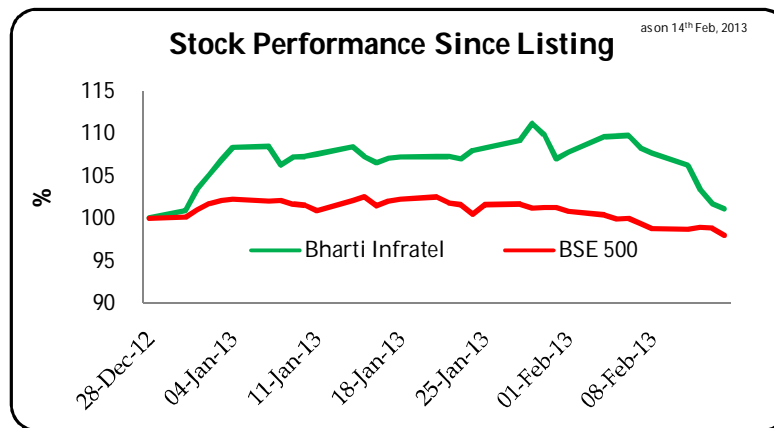
From the Research Desk of LKW's Gurukshetra.com

- The tower business is characterized by contractually recurring revenues, sustained growth rates, superior incremental operating leverage and huge recurring cash flows. This is also reflected in the satisfactory financial performance of BIL. The asset turnover (albeit from a lower base) increased from 0.1 times in FY 2008 to 0.6 times in FY 2012.
- The company has an EBITDA margin of close to 40 per cent for FY 2012 and appears to be reasonably high. The international players however, seem to be comparatively more efficient in terms of their operations. Crown Castle International Corp and American Tower Company each have consistently earned an EBITDA margin of over 60 per cent over the years.
- The bottomline too has a similar outcome as it is largely impacted by higher operating expenses, especially fuel cost and depreciation. Resultantly the net profit margin of 6 to 8 per cent on a comparison with global peers such as American Towers which has margins which are more than double (15 per cent to 16 per cent).
- The low return on Capital Employed and Net worth can also be attributed to low asset turnover ratio. However, going forward with higher economies of scale and rise in the tenancy ratio and hence movement on the margins front merits attention. With marginal

room for expansion in the prospective markets on account of saturation in some key circles (especially urban areas and metros), the growth from rural areas and uptake in 3G and 4G segments too would merit attention.

- The company is almost debt free on a consolidated basis as its debt to equity ratio stood at 0.2 times as per 6M FY2013 results mentioned in the RHP.

Performance on the Bourses



Peer Comparison

The company does not have any direct comparable peers which are listed in India.

About the Industry

Tower companies provide the entire range of telecom infrastructure services required by wireless telecommunication service providers. This includes equipments such as towers, shelters, power regulation equipment, battery banks, diesel generator sets (DGs), air conditioners, etc.

There are two types of towers - Ground Based Towers (GBT) and Roof Top Towers (RTT). Further the kind of infrastructure required by telecommunication companies can be classified as Active and Passive. Within this, the Passive infrastructure which essentially is the Tower infrastructure accounts for nearly 70% of the capital costs of setting up a wireless network in the country.

According to TRAI, India is the second largest and fastest growing telecommunication market in the world and is expected to become a 1 billion subscriber base market by end of 2014. Additionally, increased tele-density and rising demand for data services (3G & 4G) within the domestic economy augurs well for the growth of this industry. However, given the highly capital intensive nature of the business, lower operating margins, high cost of funds, over capacity in the tower infrastructure space (low tenancy ratio), regulatory interference and hurdles are likely to have an impact on the overall business performance of tower infrastructure companies within the telecommunication sector.

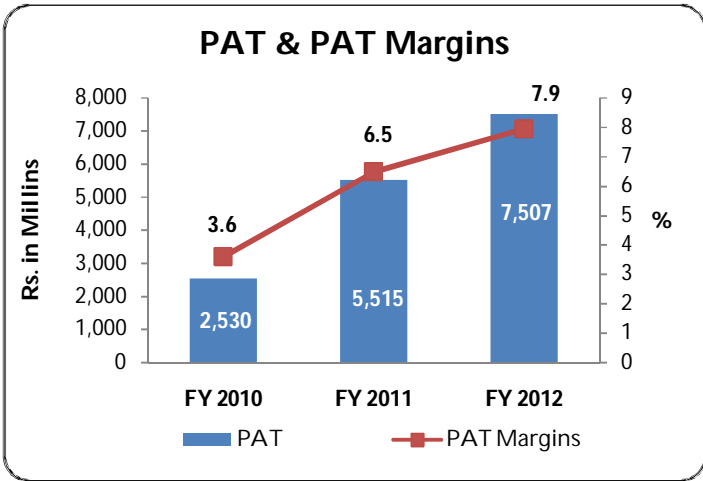
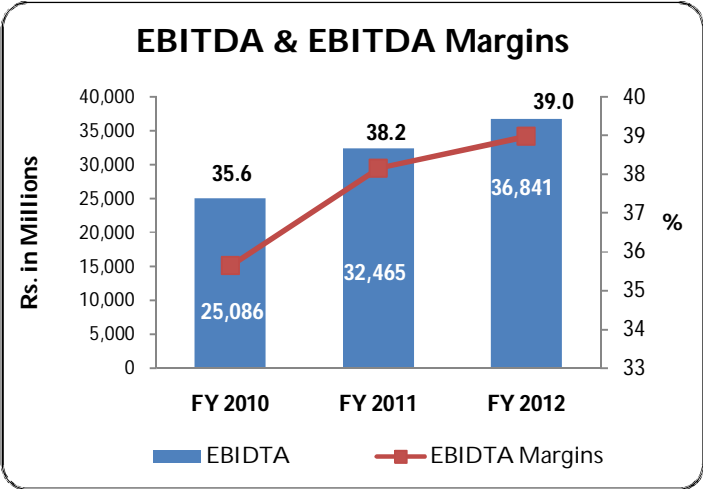
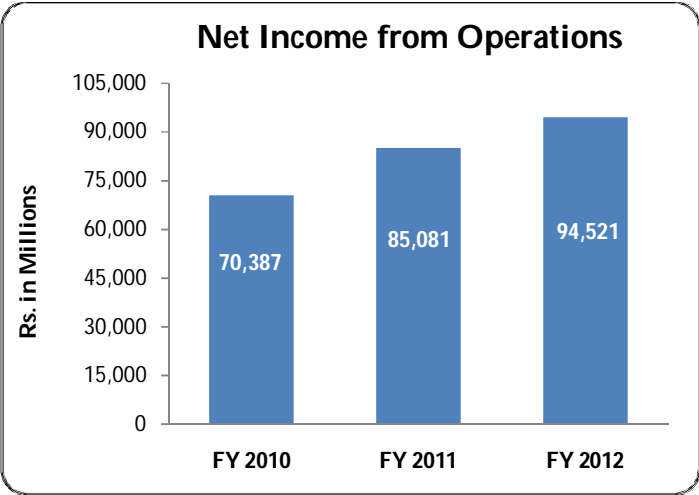
There exists about ten telecom services providers in the Indian Telecom Industry. Thus there is a likely hood of consolidation of the industry in the future which too will lead to under utilization of the tower capacity.

Outlook

With focus of the Indian Telecom Industry to provide affordable mass market telecom services even in the rural areas, there exists satisfactory growth prospects for the Tower Infrastructure Sector within the overall Telecommunication Industry. While, BIL has one-fifth of the total installed capacity in India, it enjoys a market share of 38% and 43% in the tower and tenancy business segments. Moreover, being the only tower infrastructure service provider listed in the Indian markets, it has the first mover advantage. Additionally, increasing demand for data services (3G & 4G) will aid the growth of wireless infrastructure services.

Going forward, it would be worthwhile, to monitor the performance of the company in light of the maturing circles in the urban areas and other regulatory issues that have a direct impact on the business of the telecom companies including Tower Infrastructure providers like BIL.

Financial Graphs



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