



February 15, 2019

BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400001

National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,  
Bandra (E), Mumbai 400051

**Ref: Bharti Infratel Limited (534816 / INFRATEL)**

**Sub: Investor Presentation**

Dear Sir/Madam,

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the presentation made by the Company to the investors at the following conference:

Name	Date	Venue
IIFL Enterprising India X <sup>th</sup> Global Investor Conference	February 15, 2019	Mumbai

Kindly take the same on record.

Thanking you,

Sincerely yours,

**For Bharti Infratel Limited**



**Samridhi Rodhe**  
**Company Secretary**

Encl: As above



# Investor Presentation

Feb 2019

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Proposed Merger with Indus

In Summary

# Company Overview

# Bharti Infratel – Who We Are?



A Leading Tower Infrastructure Operator

Pan India Presence across all 22 Telecommunications Circles

Indus Towers – JV between Bharti Infratel, Vodafone and Aditya Birla Telecom

Top 2 Operators Anchor Customers & Relationships with all other Operators

Marquee promoter and investors

# Performance at a Glance

92,301 towers and 174,449 co-locations<sup>(1)</sup>

40,192 towers of Bharti Infratel and 52,109 towers from 42% stake in Indus <sup>(1)</sup>

Net decline in co-locations during Q3 FY19 and FY18 at 63 and 39,027 respectively

FY18 Consolidated Revenue of US\$2,223m

Q3 FY19 Consolidated Revenue of US\$522m

FY18 Consolidated EBITDA of US\$986m<sup>(2)</sup> and Q3 FY19 Consolidated EBITDA of US\$217m

FY18 EBITDA Margin<sup>(3)</sup> of 44.4% and Q3 FY19 EBITDA Margin of 41.6%

FY18 Profit after Tax of US\$383m and Q3 FY19 Profit after Tax of US\$93m

FY18 Profit Margin of 17.2%<sup>(4)</sup> and Q3 FY19 Profit Margin of 17.8%

Q3 FY19 Net Cash of US\$316Mn

FY18 Consolidated Operating free cash flow<sup>(5)</sup> of US\$645m

Q3 FY19 Consolidated Operating free cash flow of US\$157m

Exchange Rate Used for FY18: US\$1 = Rs.65.17 as on March 31, 2018

and for Q3'19: US\$1 = Rs.69.77 as on December 31, 2018

Note: Financials for Bharti Infratel for year ending March 31, 2018 and quarter ending December 31, 2018

(1) As of December 31, 2018

(2) Includes pass through costs

(3) Revenue and EBITDA for Bharti Infratel has been calculated excluding Other Income

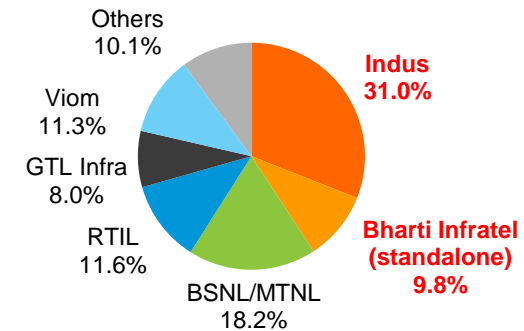
(4) Profit margin calculated as PAT divided by Rental Revenue & pass through costs

(5) Calculated as EBITDA less Capex

(6) Based on proforma consolidated financials as per proportionate consolidation method as per IND AS

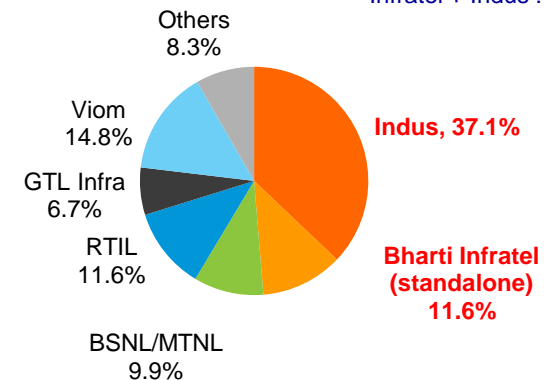
## Market share in terms of installed tower base, FY15

Infratel + Indus: 40.8%



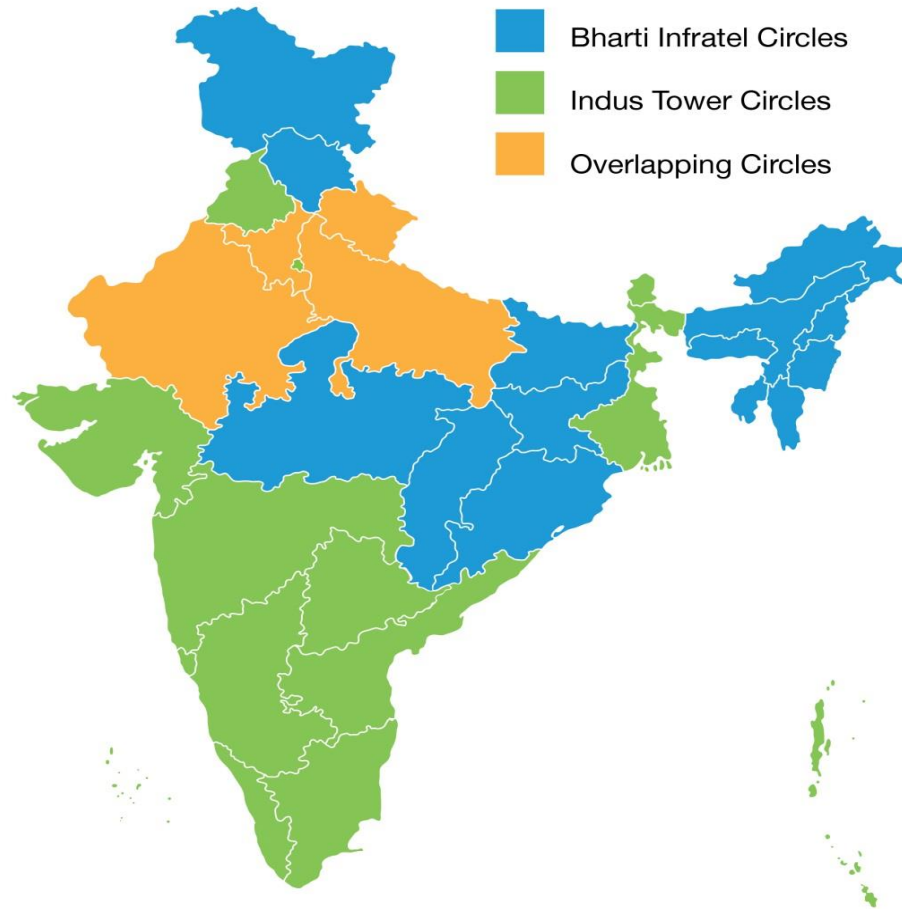
## Market share in terms of co-locations, FY15

Infratel + Indus : 48.7%



Source for Market Share: Deloitte, June 2015

# Pan India Footprint : Leading Positions Across India



## Pan India presence

- Opportunities for voice growth in rural areas given rural penetration of 58.92%<sup>(1)</sup>
- Data services to drive data consumption
- Given inadequate wire-line infrastructure, wireless services expected to cater to new demand

	Bharti Infratel Circles	Indus Towers Circles	Overlapping Circles
<b>No of Circles</b>	7	11	4
<b>No. of Operators</b>	5 - 7	7	7
<b>No. of Subs. (m) <sup>(2)</sup></b>	244	649	254
<b>Teledensity (%) <sup>(2)</sup></b>	84.0%	115.8%	81.0%

Note: Map not to scale. Map for representative purpose only

In the computation of wireless teledensity, following assumptions have been made:

A. Since only UP state teledensity was available, it was assumed to be the same between UP(E) and UP(W); B. Since teledensity was reported for West Bengal including Kolkata, the same teledensity was assumed for both circles; C. Since teledensity was reported for Maharashtra including Mumbai, the same teledensity was assumed for both circles; D. Delhi includes Ghaziabad, Noida, Gurgaon and Faridabad; E. Operator refers to wireless operators providing service as of 31 Dec 2016; F. No. of SIMs refers to wireless subscribers

(1) Source: Wireless Penetration as per TRAI as of November 30, 2018

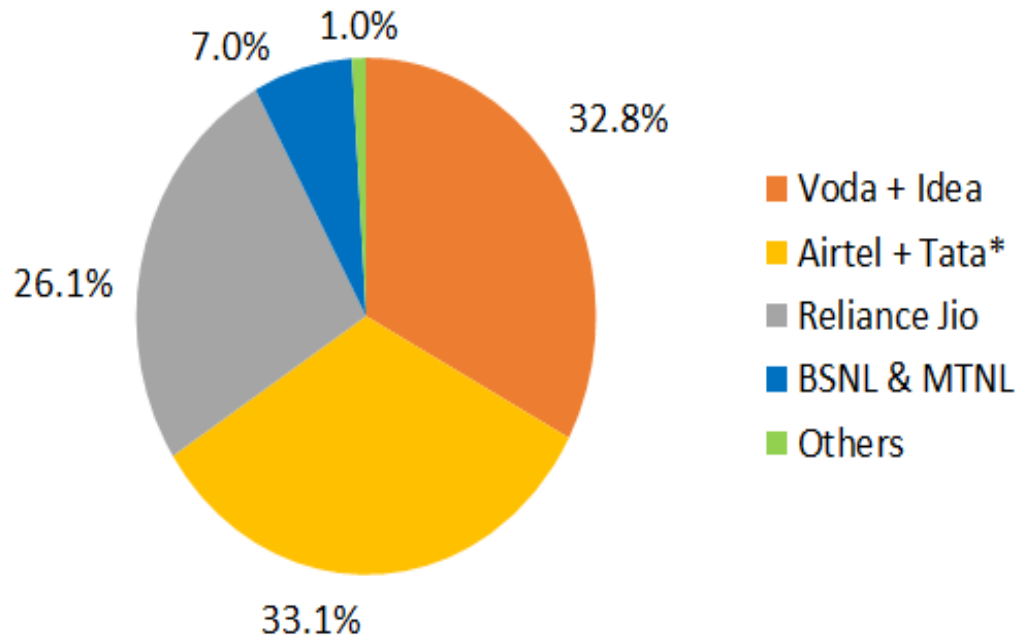
(2) Source: TRAI Performance Indicator Report Jul-Sep 2018



# Industry Overview

# Operator Industry Dynamics: Revenue Market Share

Post consolidation the Indian market expected to be dominated by three operators



**Top 3 operators (post consolidation) have 92.0% Revenue Market Share (RMS)**

Non-discriminatory nature

Right of First Offer (RoFOs) from Shareholder Operator(s)#

All operators are customers

RMS is calculated on the basis of adjusted gross revenues including NLD.  
 Source: TRAI Financial Data for the quarter ended September 30, 2018; Others includes Reliance Communications, Quadrant, Shyam Spectra, etc.  
 Note: \* Operators have been clubbed together based on their announced transactions. These are subject to regulatory and other approvals  
 # Shareholder operators refers to Airtel for Bharti Infratel and Airtel, Vodafone-Idea for Indus

# Continued Operator Focus on Networks

An operator agnostic business model, superior network footprint and service quality standards allow Bharti Infratel to capitalize on the growth in the data and voice market

## Operator Investment in Licenses<sup>1</sup>

- 3G/4G auctions held since 2010 led to significant investments of over \$53bn by telecom operators
- Most of this spectrum has been acquired for data networks rollout
- Airtel 4G services are currently available in 22 circles across India
- Idea Cellular has launched 4G in 20 circles
- Reliance Jio has launched 4G in 22 circles across the country

Spectrum Outlay	2010	2012	2014	2015	2016	Cumulative
(Rs bn)	1,063	94	672	1,099	658	3,585
(USD bn)	15.9	1.4	10.1	16.4	9.8	53.7

## Investments by Anchor Operators<sup>3</sup>

No. of circles	Pre 2016 Auctions		Post 2016 Auctions	
	3G	4G	3G	4G
Bharti	21	22	22	22
Vodafone	16	7	18	18
Idea	13	10	15	20

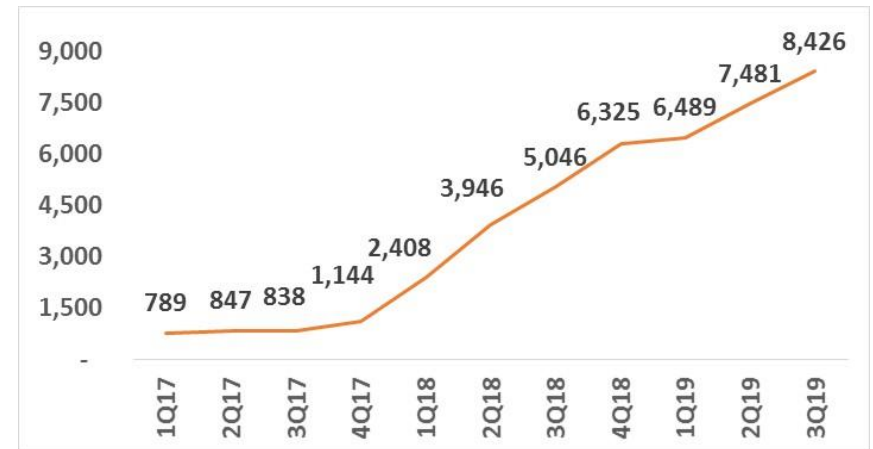
(1) Source: Morgan Stanley, Data converted at US\$=INR 66.8

(2) Average of Airtel and Idea. Idea data pertains to 1Q17 till 4Q18 and for Vodafone-Idea from 1Q19

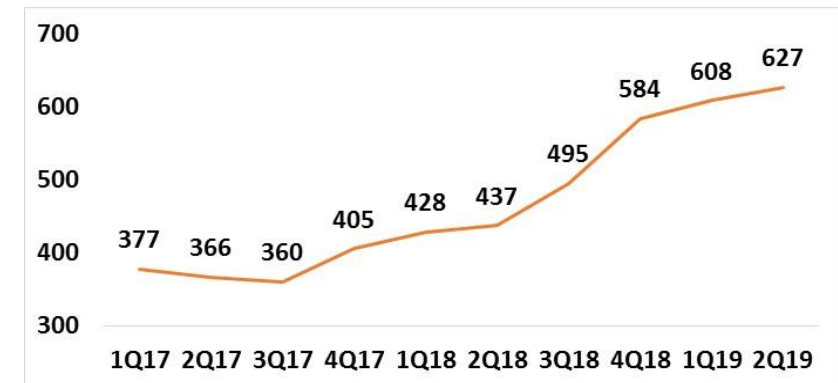
(3) 3G on either 900 or 2100 and 4G services through 1800 or 2300 or 2500 MHz spectrum; Data Capability is calculated in the circles where either 3G or 4G spectrum is available.

(4) Source: TRAI Performance Indicator Report Jul-Sep 2018

## Data Usage per customer (MB/month)<sup>2</sup>



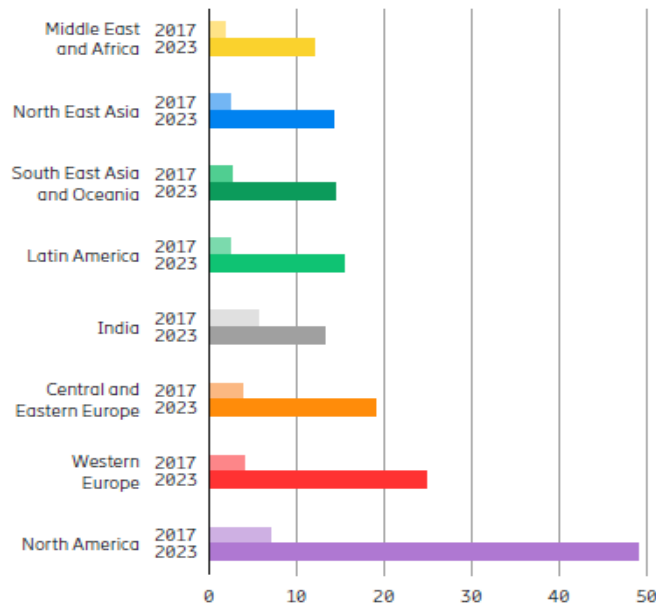
## Minutes of Usage (per subscriber per month)<sup>4</sup>



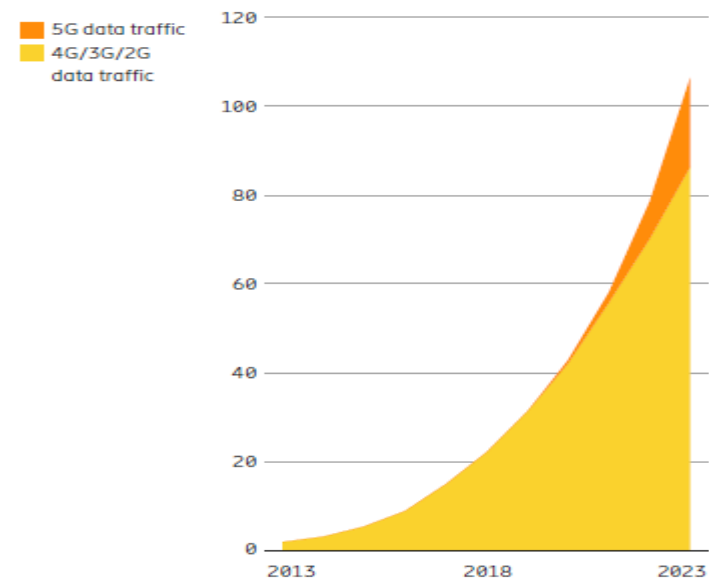
# Data Revolution Unfolding

- Favorable demographics –Median Age of India’s population ~26 years
- Wireless broadband penetration ~36%<sup>1</sup> & Internet penetration ~43%<sup>2</sup>
- Availability of cheaper handsets, affordable price plans, introduction of new technologies and availability of rich content driving data uptake in India

## Rising mobile data traffic per active smartphone (GB/Month)<sup>3</sup>



## 5G to carry 20% of mobile data traffic worldwide by 2023<sup>4 & 5</sup>

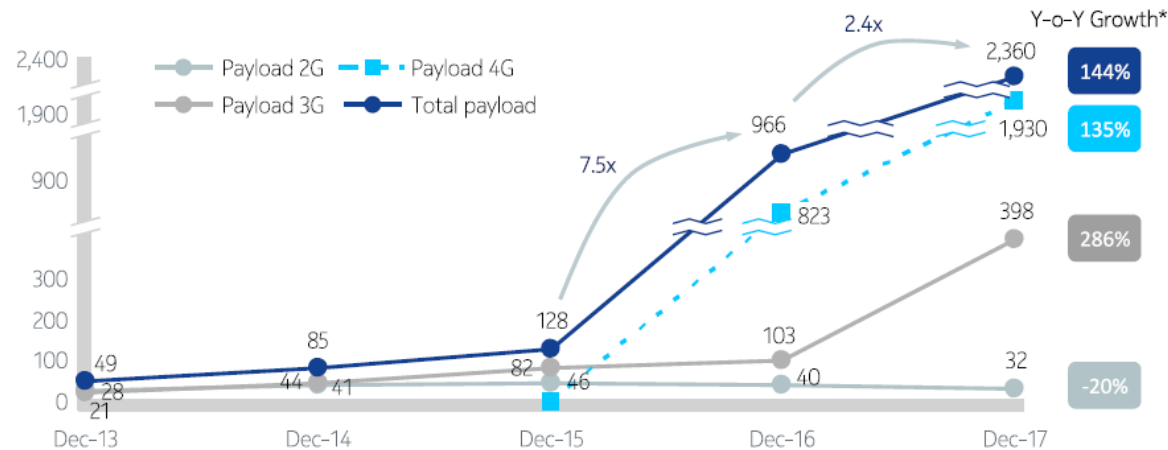


Source: (1) and (2) TRAI Performance Indicator Report Jul-Sep 2018; (3) and (4) Ericsson Mobility Report – June 2018  
 Note: (5) Global mobile data traffic (exabytes per month)

# India Mobile Data Trends

## Findings from NSN MBIT Index

Pan-India mobile data usage – in Petabytes PB per month, December<sup>1</sup>



Source: Nokia

1 PB = 1024<sup>3</sup> MB

- The Indian telecom market witnessed a paradigm shift in data consumption, with 4G traffic capturing 82% share of total data traffic in December 2017
- Increase in 4G device penetration, aggressive 4G network rollout, lower data prices, and development of video and locally relevant content ecosystem have all contributed to the rise in 4G traffic
- Falling data prices, bundled data plans, better coverage footprint, offload of 4G on to 3G, and better device availability have contributed to growth in 3G payload
- Overall data traffic grew 144% in 2017, driven by surge in 3G and 4G data consumption. Access to high-speed 4G internet increased appetite for overall data consumption in the country
- A significant increase in data consumption with 4G usage reaching ~11GB/user/month

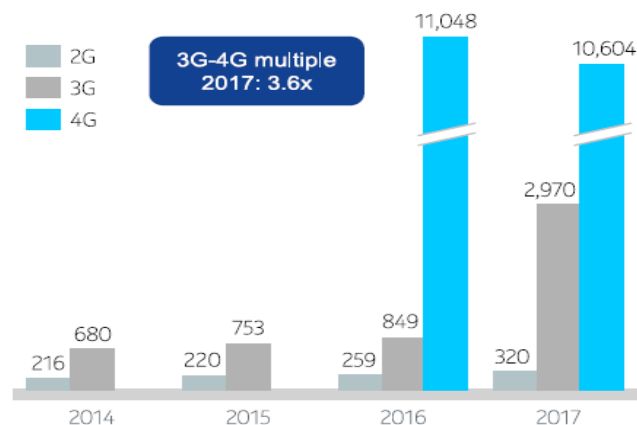
# Network & Data Growth Forecasts and Recent Trends

## Exponential Growth expected in Data over the next six years<sup>1</sup>

	2017	2023e	CAGR
Mobile Subscriptions (mn)	1,200	1,390	2%
Smartphone subscriptions (mn)	380	970	17%
Data traffic per smartphone (GB/Month)	5.7	13	15%
Total mobile data traffic (EB/month)	1.9	10	32%

## Current Data usage trends indicate significant incremental opportunity<sup>2</sup>

Average data usage/month (MB)



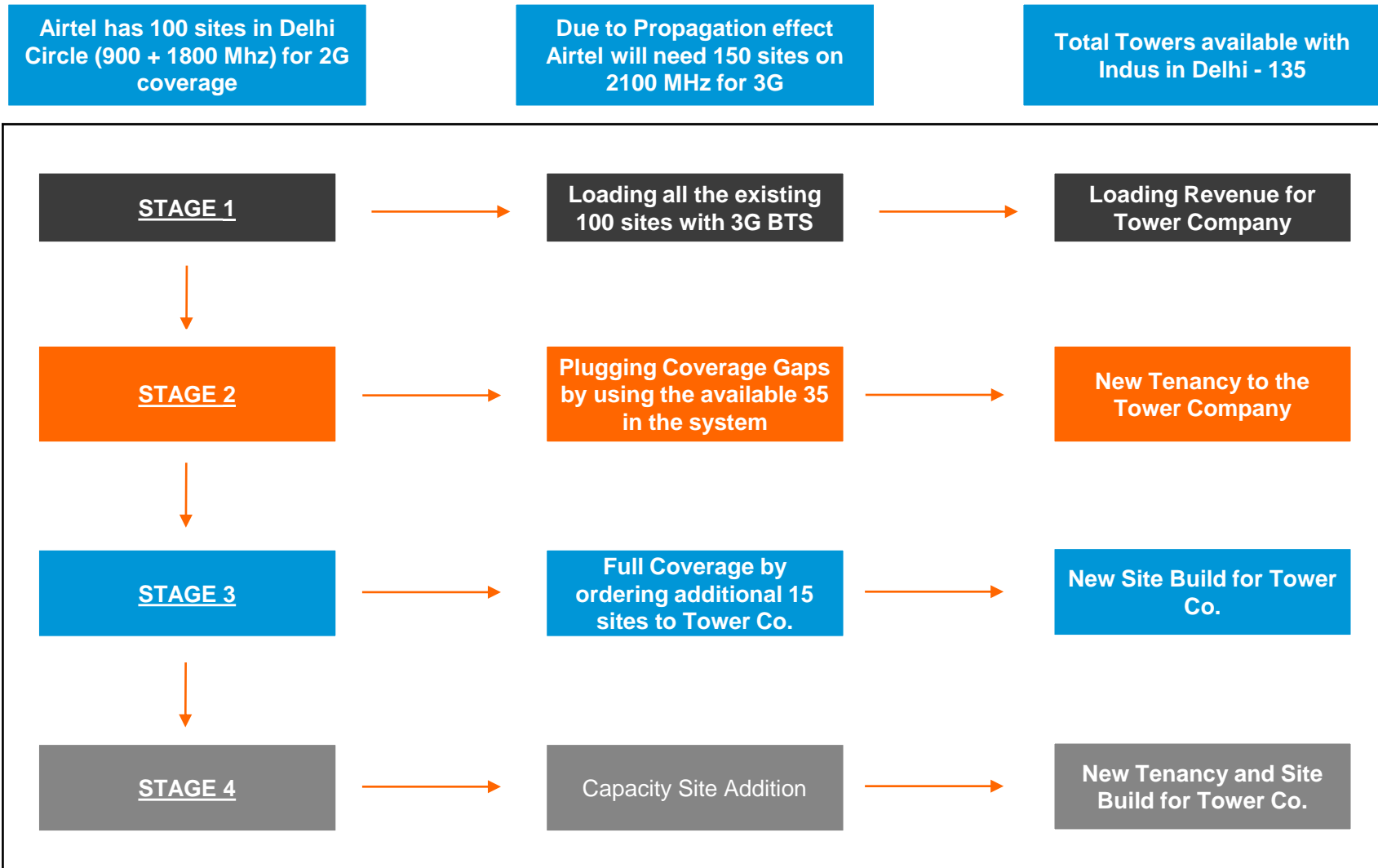
Source: Nokia, Analysys Mason

- 4G data consumption at ~11GB per user sustained the usage levels seen in 2016 (when 4G data was not fully monetized)
- Increased appetite for data consumption in 2017 resulted in an increase in 3G data usage
- The growth in usage is driven by affordable data packs, better network coverage, device capabilities and availability of relevant content

(1) Source: Ericsson Mobility Report – June 2018, data for India, Nepal and Bhutan

(2) Source: Nokia MBit Index 2018

# Phases of Data led Tower Revenue Growth



- Indicative numbers and Coverage Ratios
- Please refer to slide 52 for the Analysys Mason table on Propagation effect of frequencies

# Business Model Strengths



# Business Model Strengths



1

**A Leading Tower Infrastructure Operator**

2

**Visibility of Future Revenues Through Long Term Contracts**

3

**Demonstrated Operational and Financial Performance**

4

**Implementation of Green Initiatives**

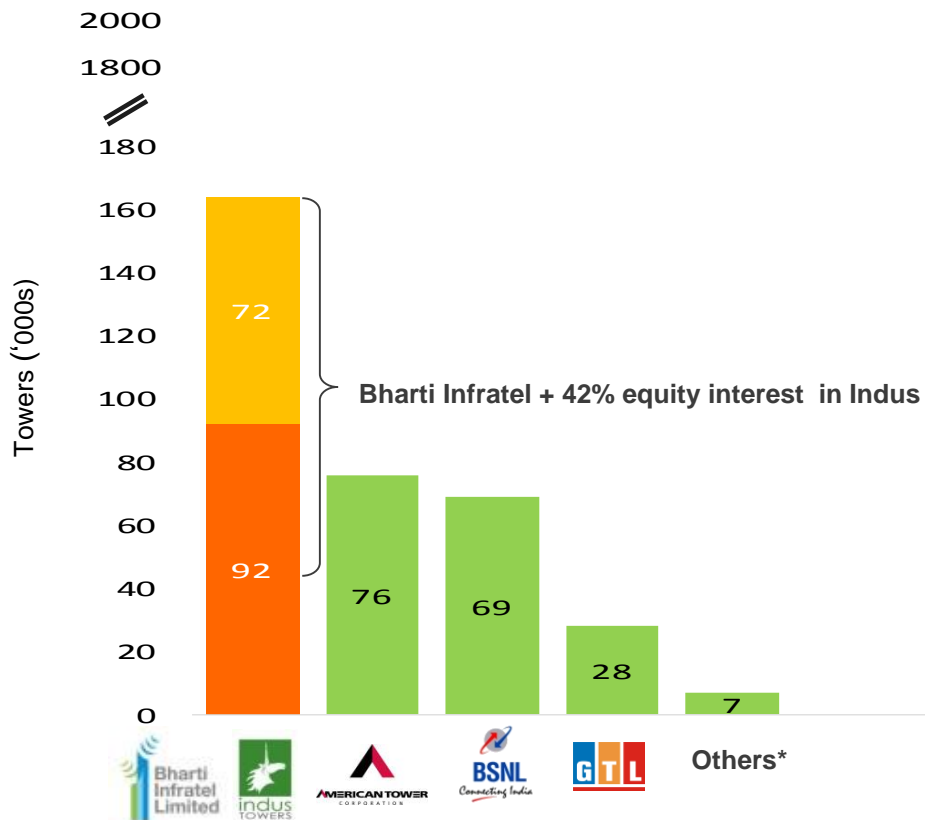
5

**Experienced Management**

# A Leading Global Tower Infrastructure Operator

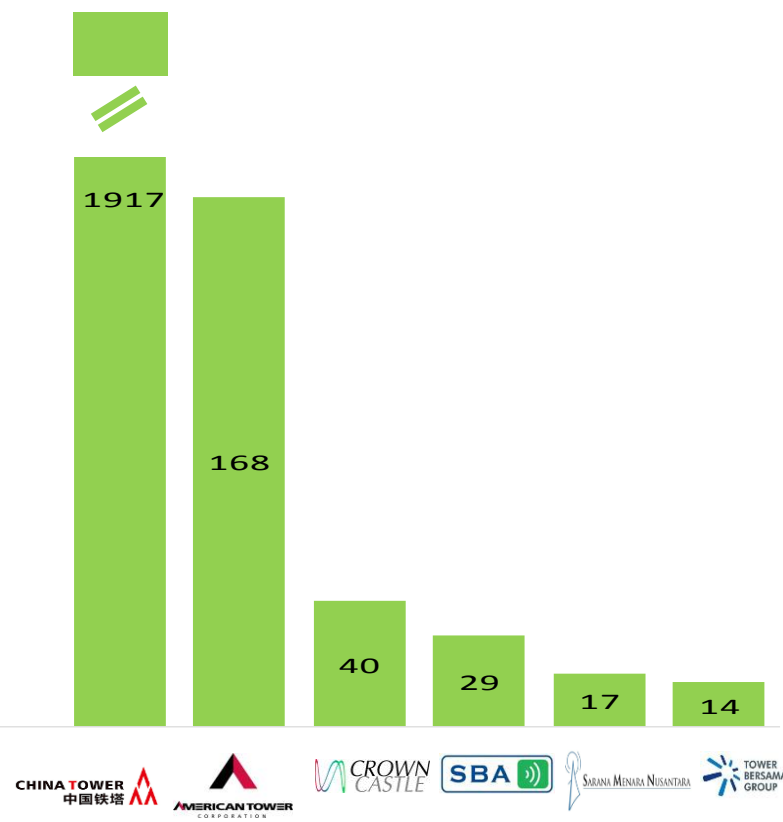
### Key Indian Tower Companies<sup>(1)</sup>

Sharing Factor	1.89 <sup>(2)</sup>	NA	1.0	1.0	NA
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### Key Global Listed Tower Companies<sup>(1)</sup>

Sharing Factor	1.5	NA	2.2	1.8	1.6	1.7
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CCI: Crown Castle International, SBA: SBA Communications, ATC: American Tower, TBIG: Tower Bersama; SMN: Sarana Merana Nusantara  
 Source: Deloitte, SEC filings, Annual and quarterly reports, company websites; For GTL tower data is as of March 31, 2018; for China Tower, CCI, SMN tower data is as of December 31, 2018; for ATC, SBA, TBIG tower data is as of September 30, 2018. All other data corresponds to March 31, 2015 as per Deloitte Report. \*Others may not include any proprietary towers of operators; ~10k Vodafone owned towers, ~9k Idea owned towers have been adjusted from Others following completion of sale to ATC in 4Q18 and 1Q19 respectively

1. Bharti Infratel and Indus tower and co-locations as at December 31, 2018; Sharing factor for Bharti Infratel standalone and Indus combined  
 2. Combined quarterly average sharing factor for Bharti Infratel including 42% stake in Indus. Unconsolidated sharing factors for Bharti Infratel is 1.95 and for Indus is 1.85, data as of December 31, 2018

# Long Term Contracts with Visibility of Future Growth

Key Features of Master Service Agreements (MSAs)	
<b>Tenor</b>	<ul style="list-style-type: none"> <li>Long term (10 to 15 years) with built in escalations (2.5% p.a)</li> </ul>
<b>Termination Penalty</b>	<ul style="list-style-type: none"> <li>Significant exit penalties</li> </ul>
<b>Rentals</b>	<b>Base Rental</b> <ul style="list-style-type: none"> <li>A base rental rate is applicable, based on the following factors:               <ul style="list-style-type: none"> <li>Total number of service providers at the site</li> <li>Ground Based Tower or Roof Top Tower</li> </ul> </li> </ul>
	<b>Premium</b> <ul style="list-style-type: none"> <li>A variety of premiums can be levied               <ul style="list-style-type: none"> <li>Rental premium</li> <li>Strategic premium</li> <li>Active infrastructure charges</li> <li>Contract term</li> </ul> </li> </ul>
	<b>Fuel Cost</b> <ul style="list-style-type: none"> <li>Energy costs (electricity and fuel charges) are treated as pass through in two ways:               <ul style="list-style-type: none"> <li>As per the amounts incurred</li> <li>Based on a rate card per circle</li> </ul> </li> </ul>
<b>Service Agreement</b>	<ul style="list-style-type: none"> <li>Specifies service levels applicable</li> <li>Site access service level sets out time period within which the service provider is to be provided access to the site</li> </ul>
<p style="text-align: center;"><b>Weighted Average Life of Contracts is 5.04 years; Contracted Revenues of US\$6.05bn (as of Q3 FY19 exit)</b></p>	

# Business Model Unique to India

## Key Features of Master Service Agreements unique to India unlike US Tower Cos

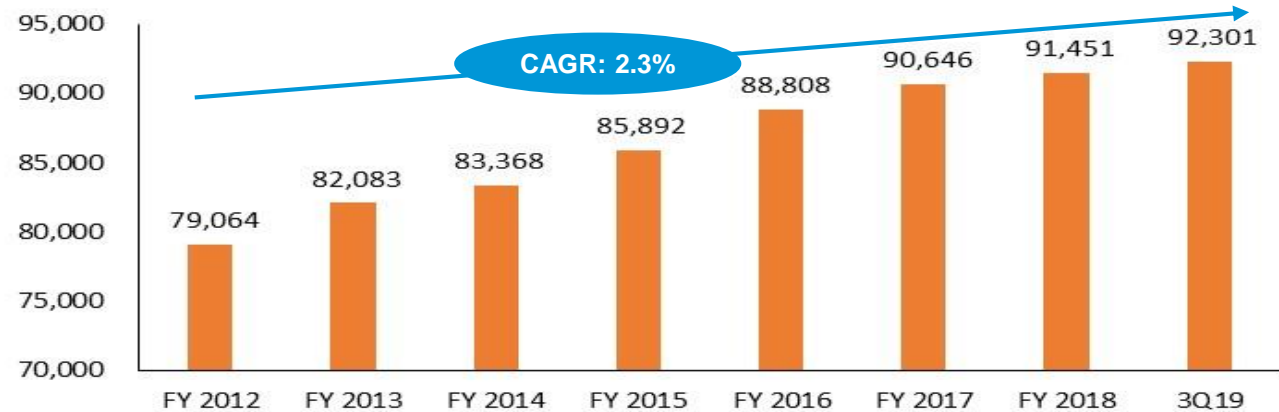
Purpose	Key Feature	Result
Disarming The Operators	<ul style="list-style-type: none"> <li>It is not economically rewarding for the operators to build new towers themselves</li> </ul>	Most operators in India are not building towers on their own now
Create Natural Entry Barrier	<ul style="list-style-type: none"> <li>Sliding scale of rent</li> <li>Sharing Energy Cost</li> </ul>	It is economically unviable to erect a new tower at a location where a tower is already present
Volume vs. Value	<ul style="list-style-type: none"> <li>By sharing minimal value gain the model has ensured huge volume of towers, virtually entirely built in the Tower Cos</li> </ul>	<ul style="list-style-type: none"> <li>Having over 164k towers and &gt;308k tenancies gives tower company a huge volume play going forward<sup>(1)</sup></li> </ul>

(1) As at December 31, 2018; No. of towers and tenancies for Bharti Infratel and Indus Towers (100%) combined

# Demonstrated Operational and Financial Performance

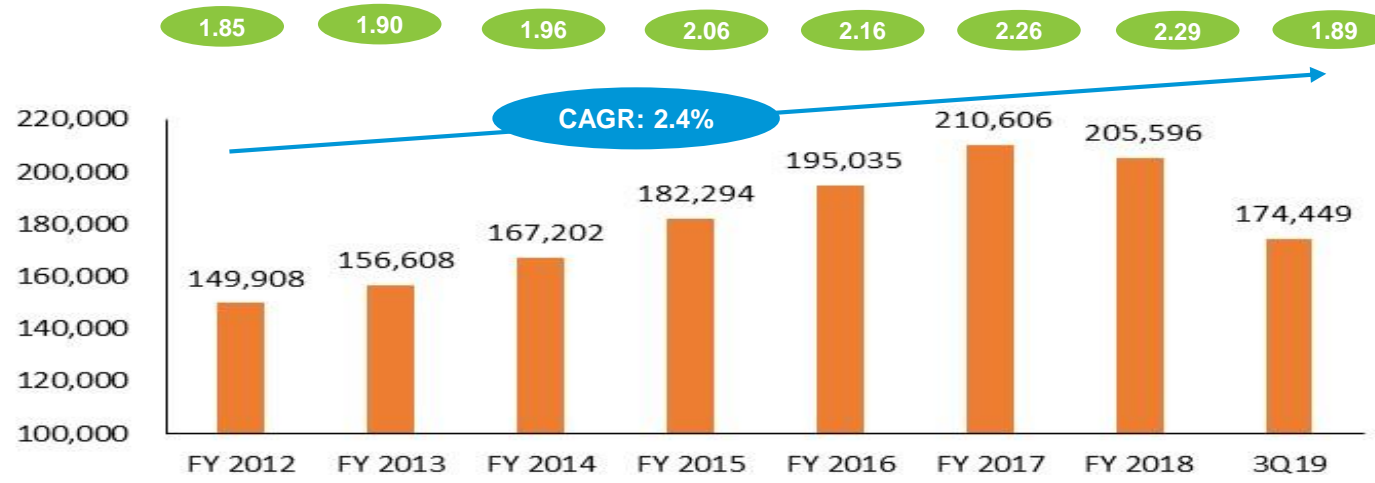
## Stable tower growth...

Towers<sup>(1)</sup>



## ...coupled with increase in average sharing factor except recent quarters that have seen large exits due to consolidation

Co-locations<sup>(1)</sup>



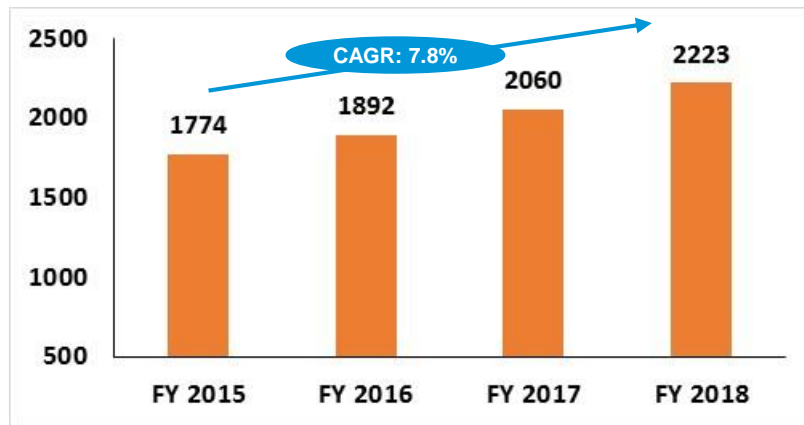
FY refers to fiscal year ending March 31.

(1) Consolidated figures for Bharti Infratel include 42% economic interest in Indus Towers

# Demonstrated Operational and Financial Performance

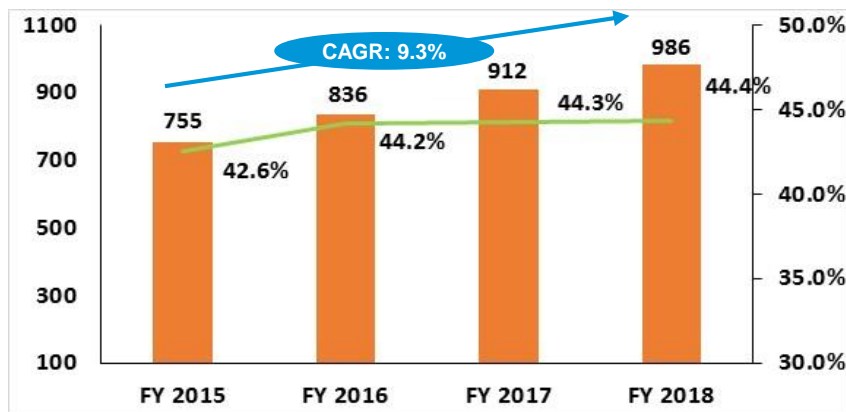
## Strong revenue growth...

Revenues<sup>(1)(2)</sup> (US\$m)

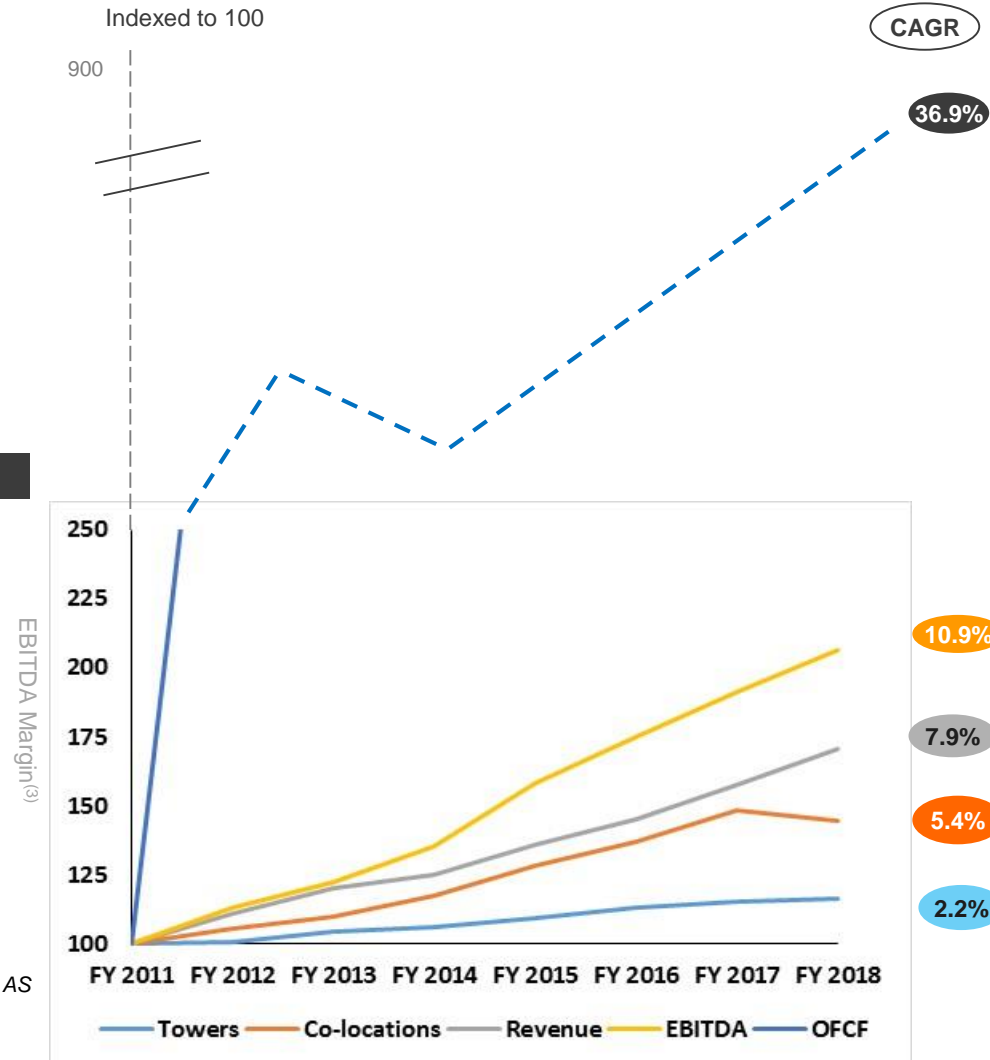


## ...faster EBITDA growth

EBITDA<sup>(1)(3)</sup> (US\$m)



## Strong Operating Leverage



Exchange Rate Used US\$1 = 65.17 as on 31<sup>st</sup> March, 2018

Note: Based on proforma consolidated financials as per proportionate consolidation method as per IND AS except Operating leverage chart financial information for F2010-2013 based on Indian GAAP

(1) FY refers to fiscal year ending March 31

(2) Includes pass through costs

(3) Revenue and EBITDA for Bharti Infratel has been calculated excluding Other Income

# Focus on Delivering Shareholder Value

Bharti Infratel is focused on delivering return to its shareholders through multi-pronged strategy

- Pursuit of viable value accretive inorganic growth
- Leverage Diversified Customer Base to Capitalize on Data Growth
- Explore Opportunities to Return Cash to Shareholders

## Dividend Philosophy:

### Dividend Philosophy:

- Aim to balance capital needs and distribution to shareholders
- Target payout to be higher of <sup>(1)</sup> –
  - 100% Dividends received from Indus, or
  - 60-80% of Bharti Infratel PAT (including DDT)

## Total Payout Ratio of 135% in 1H19 <sup>(2)</sup>

	FY2014	FY2015	FY2016	FY2017	FY2018	1H2019
<b>(Rs/share)</b>						
Interim Dividend	-	4.5	-	12.0	-	7.5
Final Dividend	4.4	6.5	3.0	4.0	14.0	
<b>(Rs mn)</b>						
<b>Total Profit Distribution</b>	<b>9,726</b>	<b>24,770</b>	<b>26,679</b>	<b>35,618</b>	<b>31,217</b>	<b>16,724</b>
Consolidated Profit	13,332	22,027	22,474	27,470	24,937	12,378
% payout	73%	112%	119%	130%	125%	135%

**Note:**

FY refers to fiscal year ending March 31

\*Profit distribution for 2016 includes buyback of Rs.20,000mn

(1) Subject to adequate liquidity for planned business activities and capital expenditure and other uses including debt servicing requirements, acquisitions and ensuring an acceptable credit rating

(2) Amounts in Rs mn Include Dividend Distribution Tax where applicable

# New opportunities for Telecom Infrastructure development under 'Smart Cities' Project

## Development of Smart Cities key for 'Digital India' Program

- Government has announced the creation of 100 Smart Cities

## Communication backbone is key to a Smart City

- Entails setting up of telecom infrastructure which will include towers, micro sites and fiberized backhaul
- Essentials include 100% coverage of area by cell phone towers coupled with fiber as a backhaul
- Expectations from Smart City also include wide availability of Wi-Fi, fiber optic connectivity to home, etc.
- Smart City usual business activity for Infratel, however counterparty and business model may vary from project to project

## Infratel and Indus have won Smart City bids and are working towards successful project deliveries

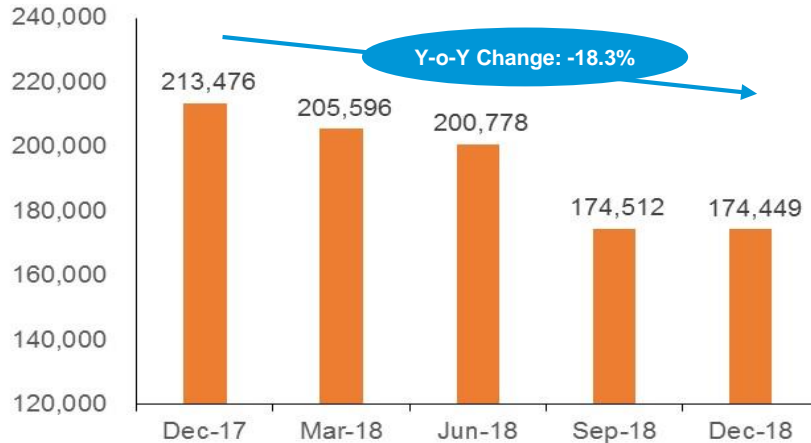
- Infratel led Consortium is executing Bhopal Smart City project where acceptance testing has been initiated in phases
- Indus is also rolling out Smart city projects in Vadodara and New Delhi Municipal Corporation area
- Paves the way for both companies to participate in similar bids in the future
- Opening up new business avenues wherein benefits of the shared infrastructure model can be replicated
- Shall assess opportunities in accordance with the Company philosophy and are value accretive

**Best positioned given large footprint, strong balance sheet, relationship with leading operators and proven skills to manage distributed operations**

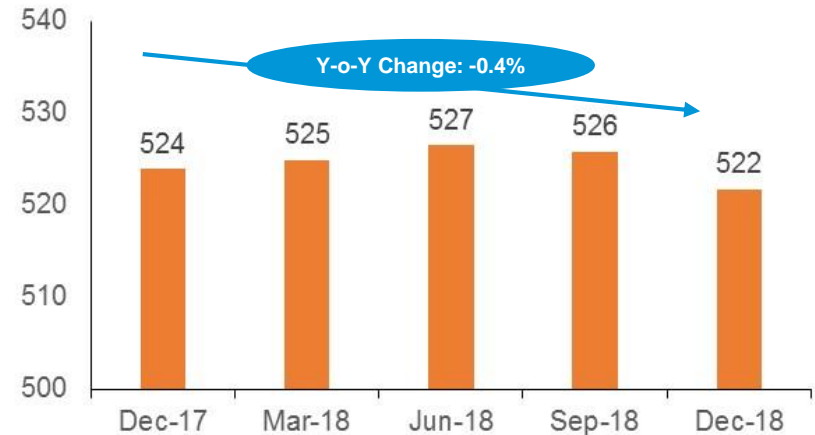


# Resilience in Quarterly Financial Performance Despite Recent Exits

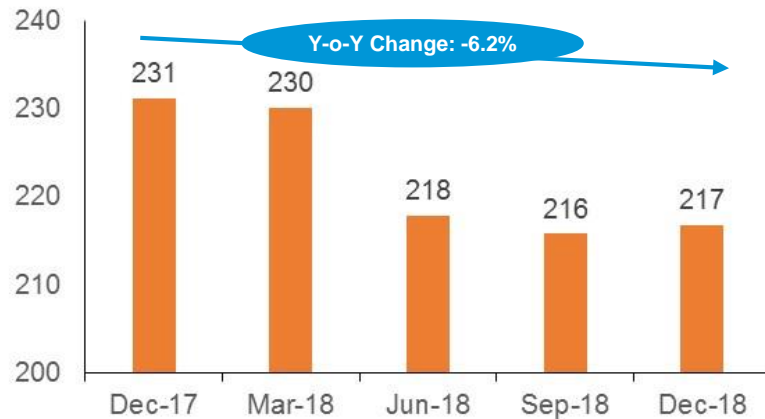
### Co-locations



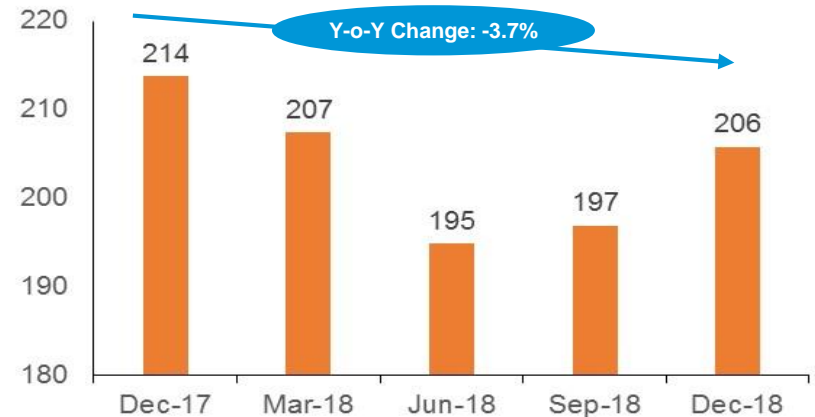
### Revenue<sup>1</sup> (US\$m)



### EBITDA<sup>1</sup> (US\$m)



### AFFO<sup>1,4</sup> (US\$m)



Note: Constant exchange rate of US\$ 1 = INR 69.77 has been used, which is the closing exchange rate as on December 31, 2018

(1) Revenue, EBITDA, Operating Free Cash Flow and AFFO are excluding Other Income

(2) Consolidated figures for Bharti Infratel include 42% economic interest in Indus Towers

(3) Operating Free Cash Flow calculated as EBITDA – Capex; Capex is defined as the additions to the Tangible Assets during the period

(4) Adjusted Fund from operations, AFFO is calculated as EBITDA – Maintenance Capex

(5) Based on proforma consolidated financials as per proportionate consolidation method as per IND AS

# Settlement on Exit Penalties

## 55% cash settlement reached, balance via extensions with 2x revenues

- For exits until 30 November 2018, agreed on a settlement with ongoing operators i.e. Airtel and Vodafone-Idea
- 55% settlement in cash on consolidated basis, with a small portion received upfront which was accounted for in 3Q FY'19 (Rs.553mn)
- For balance cash amounts, agreed to EMIs over a 36-month period with interest. Thus a fixed amount expected every quarter for the next 12 quarters starting 4Q FY'19.
- For balance amounts, operators have agreed to extend certain co-locations upon their expiry for a period of 5 years such that the Company gets 2x revenue equivalent of these balance amounts.

## Snapshot of Settlement of Exit Penalties with ongoing operators for exits until 30 November 2018

	A	B	C	D	E	F	G	H
	Approx. Colocations Exited ('000)	Average Exit Amount Per Site (Rs mn)	Exit Amounts	Settled in Cash	% Settled in Cash	Of which Upfront Cash	Balance Cash expected per quarter for 12 quarters (3 years)	Non-cash settlement value @2x revenues H= (C-D)*2x
(Rs bn) unless specified								
Infratel Consol	39	0.5	20	11	55%	0.55	0.9	18

# Implementation of Green Initiatives

- Bharti Infratel has institutionalized 'GreenTowers P7' programme, aimed at minimizing dependency on diesel consumption and thereby, reducing the carbon footprint
- The 'GreenTowers P7' programme is based on seven innovative ideas deploying cleaner energy technologies
- We have adopted a three-pronged strategy to run this programme:

## 1 Solar Installations and Diesel Free Towers

- Close to ~3,000 solar powered towers
- Over 43,000 (~47% of the Portfolio) towers across the network are Green towers

## 2 Improving Energy Efficiency of Towers

- Implemented hybrid battery bank solutions in towers across the country

## 3 Reduction of Power Consumption via Free Cooling Units (FCU)

- FCUs utilize the outside ambient air for cooling the shelter

# Experienced Management Team



Akhil Gupta  
*Chairman*

- Joined Bharti Infratel in March 2008 as Director
- Work experience of over 31 years
- Certified Chartered Accountant and fellow member of ICAI. Completed an advanced management program at Harvard Business School.
- Has received various awards including 'CEO of the Year' at the National Telecom Awards 2012, and the 'CA Business Achiever Award' at the ICAI Awards 2008



Devender Singh  
Rawat  
*Managing Director  
& CEO*

- Joined Bharti Infratel in July 2010 as Chief Executive Officer
- Work experience of 27 years
- B.E. (Electronics & Communication)
- Completed an advanced management program at Wharton Business School.



S Balasubramanian  
*Chief Financial  
Officer*

- Joined Bharti Infratel in August 2018 as Chief Financial Officer
- Work experience of 28 years
- Chartered Accountant and Cost Accountant



Biswajit Patnaik  
*Chief Sales and  
Marketing Officer*

- Joined Bharti Infratel in October 2008 as Chief Sales & Marketing Officer
- Work experience of 23 years
- Bachelors Degree from Behrampur Univ. & Diploma in Sales & Marketing Management from National Institute of Sales



Sachin Naik  
*Chief Operations  
Officer & Chief O&M  
Officer*

- Joined Bharti Infratel in August 2016
- Work experience of 28 years
- Bachelors Degree in E&C from Karnataka Regional Engineering college, Surathkal

*The top management has an average experience of over 20 years in various sectors including telecom*

# CSR, Awards and Recognition

## Awards and Recognition

### Best Smart Infrastructure Development by Business World

- Bharti Infratel has been awarded the Best Smart Infrastructure Development by Business World at the 6th Smart Cities Conclave. The jury had evaluated the various government and non-government smart city projects across the country over the past year and recognized our achievements towards making the project (first of its kind - PPP model for Smart City project) a huge success.

### Dun and Bradstreet Infra Awards 2018

- Bharti Infratel has been recognized as the winner under Telecom Infrastructure Development category by Dun and Bradstreet Infra Awards 2018 for our contribution in building an India of Tomorrow. Bharti Infratel was recognized for its strong business leadership within its sector and its world-class service delivery

### ET NOW CSR Leadership Award 2018

- Bharti Infratel received the "ET NOW CSR Leadership Award 2018" for its efforts towards building an inclusive world, by supporting inclusion of differently abled people into the mainstream through the Bharti Infratel Scholarship Program.

### Gold Award - Business Excellence Framework-2018

- Bharti Infratel has won the "Gold Award - Business Excellence Framework-2018" by "RE Assets India". The award is about adopting a holistic approach to strengthen the management practices, systems and processes of an organization.

### Golden Peacock Awards 2017

- Bharti Infratel was felicitated with Golden Peacock Award for Risk Management at The Singapore Global Convention. It stimulates and helps organizations to rapidly accelerate the pace of improving Risk Assessment and Management System (RAM) in the organization

## Corporate Responsibility

### 1. Green Towers Program

- GreenTowers P7 program
- Comprehensive energy management plan
- Aimed at using alternative, renewable and energy efficient technologies
- "Go Green" Initiative

2. Provide free quality education to underprivileged children in rural India with a special focus on girl child through Satya Bharti School Program

3. Sanitation initiatives in partnership with Bharti Foundation as part of 'Clean India Campaign'

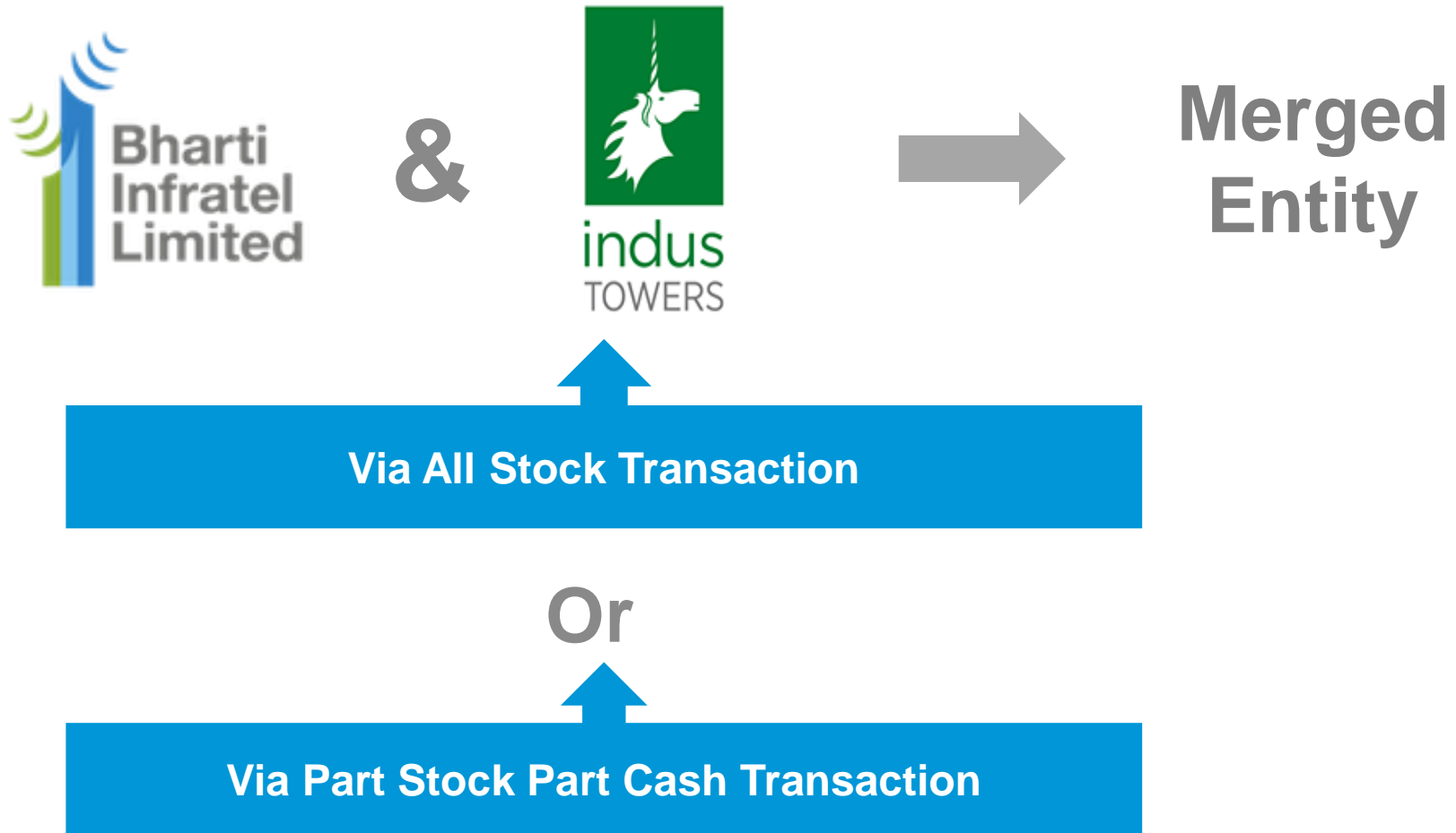
4. Empower women through vocational and life skills training and employment through Aaghaaz program

Bharti Infratel was also conferred with 'Green Initiative of the Year 2016' title at the TowerXchange A&ME Meetup in Johannesburg for adopting green and sustainable practices in business and operations



# Proposed Merger with Indus

# Merger with Indus Towers



*Note:*

- 1. The merged entity will fully own the respective businesses of Bharti Infratel and Indus Towers, will change its name to Indus Towers Limited and will continue to be listed on the Indian Stock Exchanges.*
- 2. Vodafone-Idea and Providence have the option to elect to receive cash or shares*

# Merger with Indus Towers



All Stock  
Transaction

Issues shares to Vodafone Group for 42% of Indus

Issues shares to Vodafone-Idea for 11.15% of  
Indus

Issues shares to Providence (PEP) for 4.85% of  
Indus

Or

Part Stock Part  
Cash Transaction

Issues shares to Vodafone Group for 42% of Indus

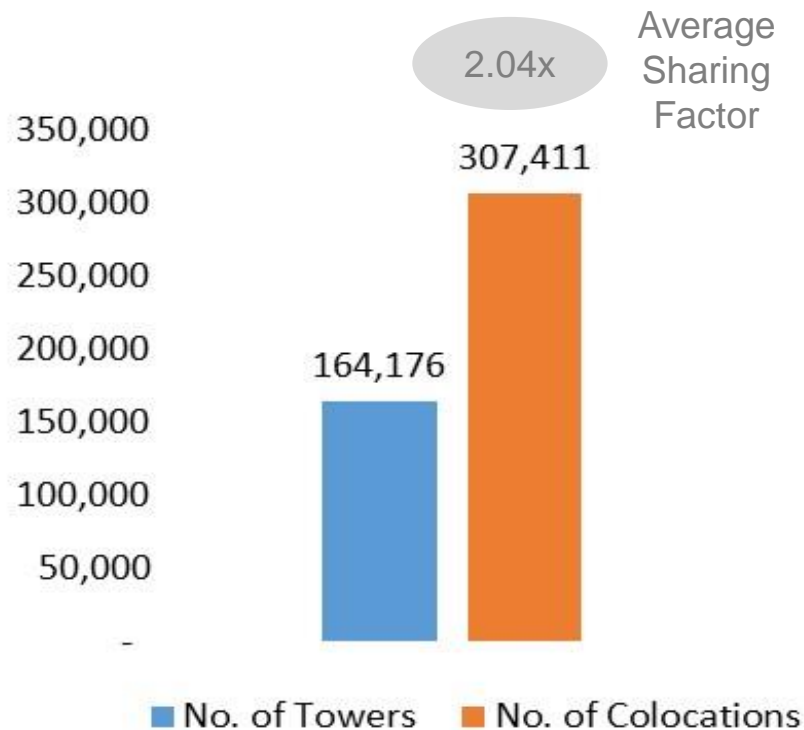
Issues shares to PEP for 1.5% of Indus

Vodafone-Idea and/or PEP take cash for 11.15%  
and 3.35% stakes in Indus respectively

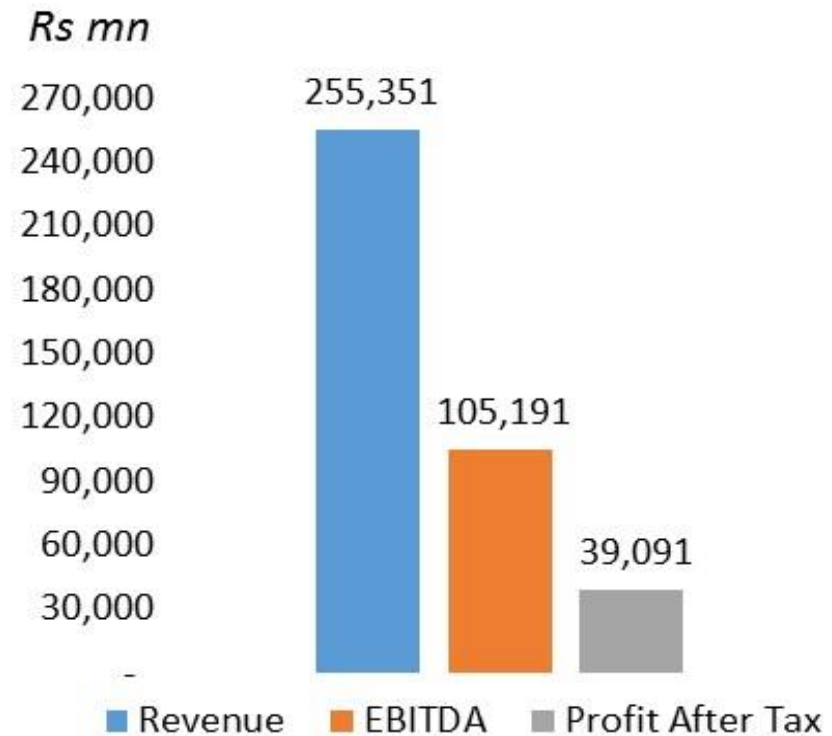


# Merged Entity: Operational and Financial Snapshot

## Towers, Co-locations and Sharing Factor (1)



## Revenue, EBITDA and Profit After Tax (2)



1) Data as of 30 September 2018

2) Estimates based on LTM data ending 30 September 2018, assuming merger was effective on 1 October 2017 and assuming cash election for Vodafone-Idea (11.15%) and PEP (3.35%), stock for Vodafone Group, additional interest costs @~8% p.a. and related adjustments. Above scenario is for illustration, other combinations of stock and cash may be possible

# Rationale for the Transaction



indus  
TOWERS

Attractive valuation for existing Infratel shareholders, Indus @5.2% discount on relative valuations for share election and 10% discount for cash election

Enhancement in Return on Equity (ROE) due to improvement in capital structure

Up to 0.6x Net Debt/EBITDA vs. Net Cash position currently

Tax efficient transaction leading to accretion in Earning Per Share (EPS) and consequently higher possible Dividend per share (DPS)

Removal of holdco discount

# Rationale for the Transaction (contd.)



indus  
TOWERS

Simplified shareholding structure with no single operator holding majority in the merged entity

Shares in a listed entity provides exit opportunity to shareholder operators of Indus

Operational synergies in the form of capex/opex envisioned

Creating the largest in-country towerco outside China

Single entity with one set of Board of Directors, leadership and senior management to focus on nationwide growth and liaise with stakeholders in a unified manner

Continue to offer passive infrastructure services to all customers on a non-discriminatory basis and support the Government of India's "Digital India" vision

# Attractive Valuation for Existing Infratel Shareholders

## **Construct for Issuance of Shares: Discount of 5.2% on relative valuations**

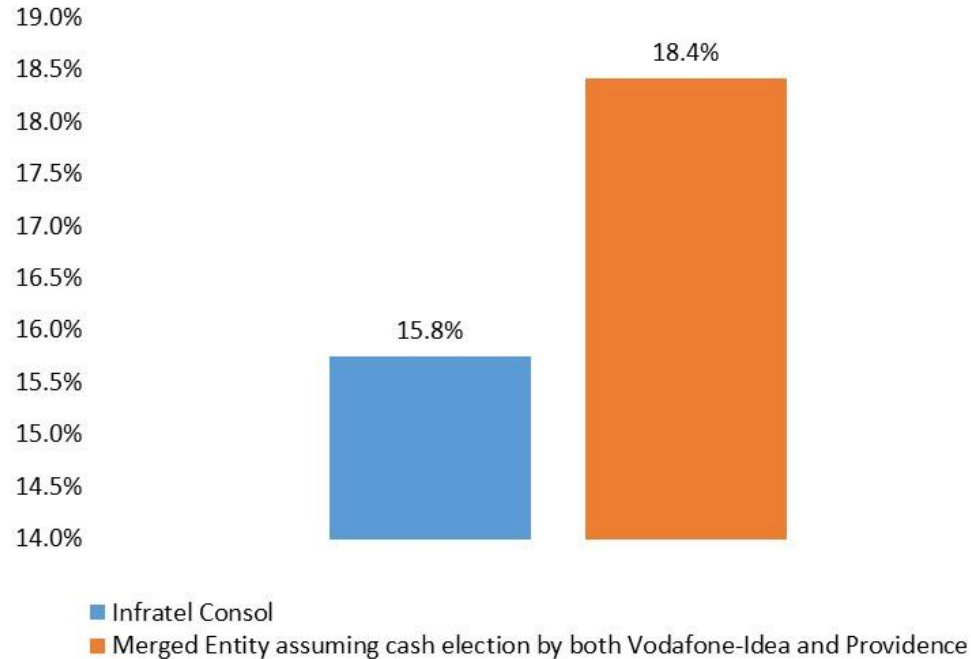
- The merger ratio as at the date of agreement is 1,565 shares in Infratel for every one Indus share.
- The merger ratio has been based on agreed relative Enterprise Valuations (EV) and adjusted net debts where Indus was valued at a 5.2% discount to Infratel's EV/LTM EBITDA.
- The final merger ratio and hence number of shares issued will depend on the actual net debt and working capital at closing in Infratel and Indus.

## **Construct for Cash Election: Discount of 10% on relative valuations**

- Enterprise Value of Infratel and Indus will be based on the last 12 months EBITDA as at Mar'18 i.e. FY17-18, VWAP of 60 days share price of Bharti Infratel at the date of closing and net debt of Infratel and Indus on the date of closing.
- The resultant EV/EBITDA for Infratel shall be discounted by 10% to arrive at the equity value for Indus.

# Enhancement in Return on Equity due to Improvement in Capital Structure

Return on Equity (%)

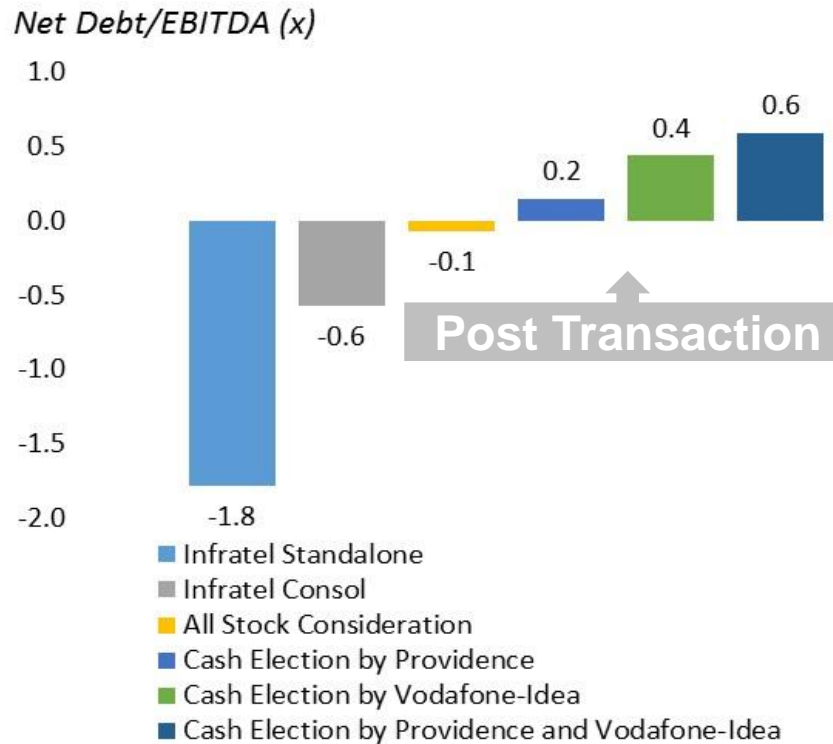


**ROE improves by 265 bps to 18.4% post transaction driven by improvement in capital structure**

Notes:

- Infratel Consol refers to pre-merger entity with 42% ownership in Indus
- Data for Infratel Consol is actual for quarter ending 30 September 2018.
- Data for the merged entity is estimated where merger adjustments are based on data for the quarter ending 30 September 2018
- Assuming scenario of cash election by Vodafone-Idea (11.15%) and Providence (3.35%), stock for Vodafone Group. Above scenario is for illustration, other combinations of stock and cash may be possible
- ROE refers to Return on Shareholder's Equity (LTM) Post tax with the assumption of merger as above on 30 September 2018

# Up to 0.6x Net Debt/EBITDA vs. Net Cash position currently

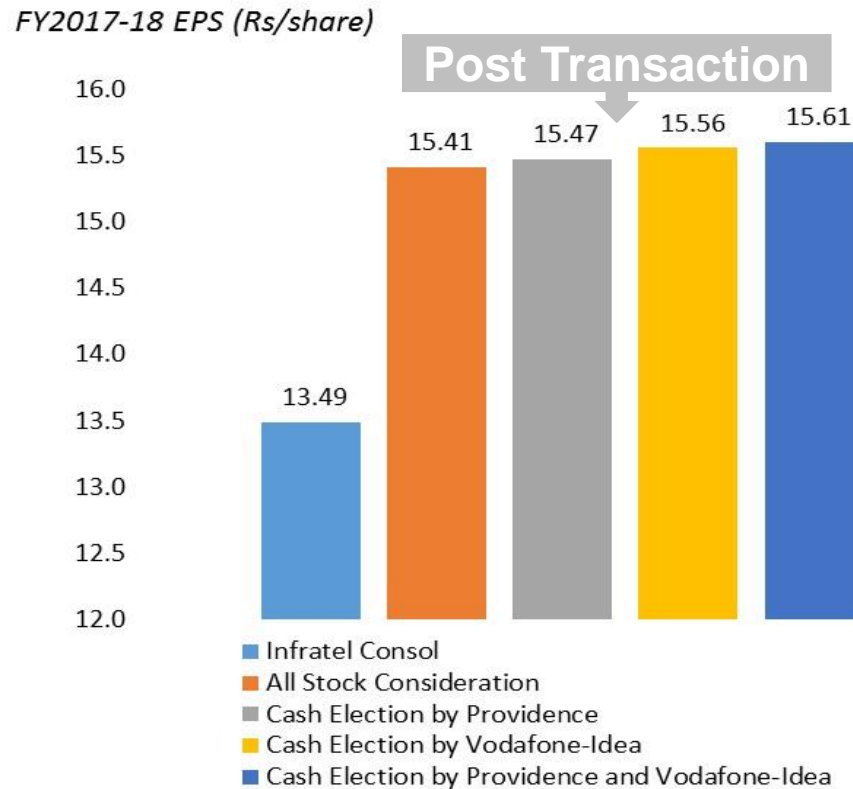


**Transaction to improve capital structure by bringing higher leverage to the merged entity**

**Notes:**

- Infratel Consol refers to pre-merger entity with 42% ownership in Indus
- Data for Infratel Consol are actuals based on closing Net Debt/Cash and LTM EBITDA for the quarter ending 30 September 2018
- Data for the merged entity are estimates under various scenarios based on data for the quarter ending 30 September 2018, assuming merger was effective 1 October 2017
- Estimates include additional interest costs @~8% p.a. and related adjustments
- Above scenarios are for illustration, other combinations of stock and cash may be possible

# Accretion in Earnings Per Share...



**EPS accretive in all scenarios despite dilution driven by lower effective tax rate**

**Notes:**

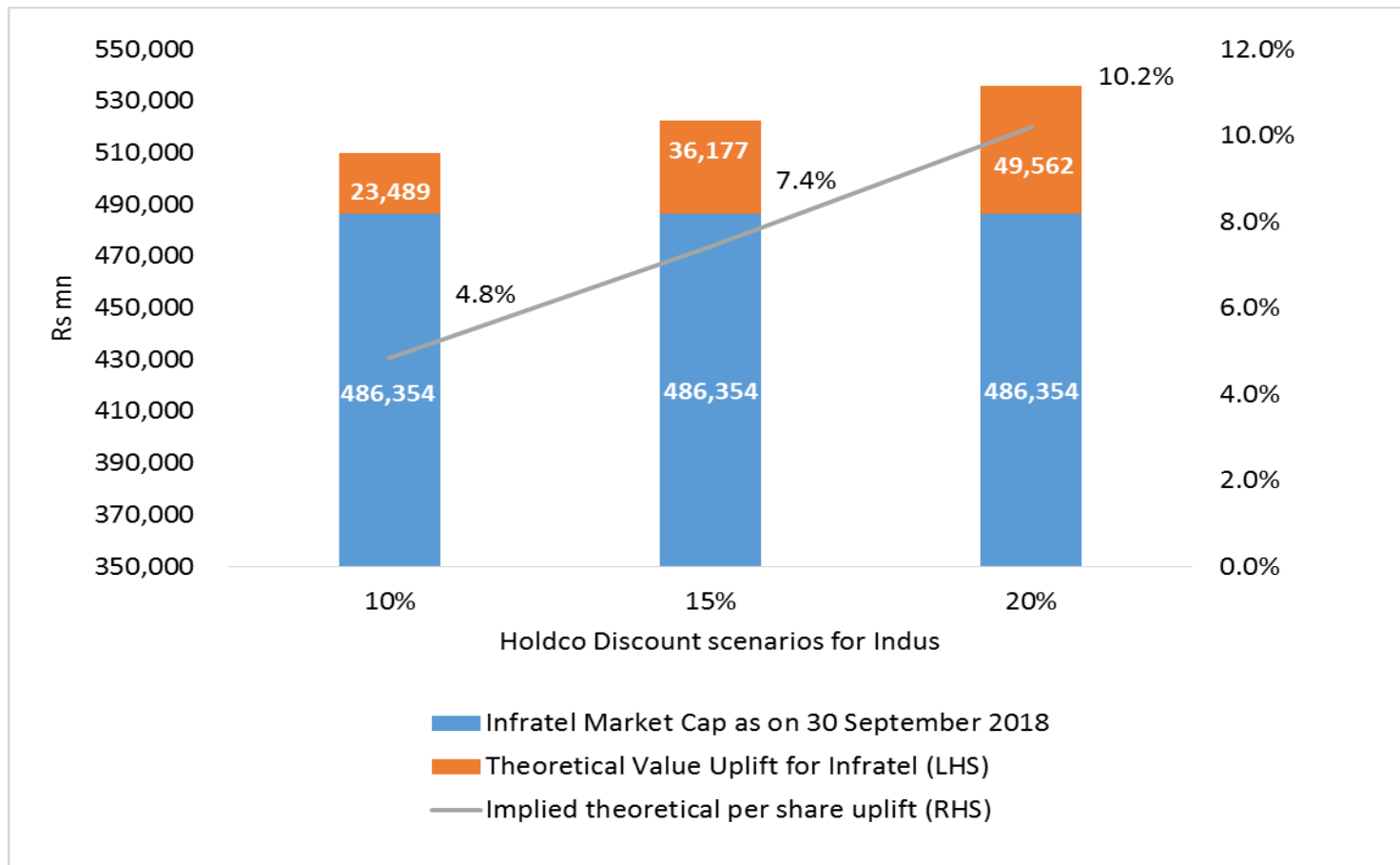
- Infratel Consol refers to pre-merger entity with 42% ownership in Indus
- Data for Infratel Consol is actual for the financial year ending 31 March 2018
- Data for the merged entity are estimates based on data for the financial year ending 31 March 2018, assuming merger was effective on 1 April 2017. Additional interest costs assumed @~8% p.a. where applicable along with related adjustments
- Above scenarios for illustration, the final number will vary with adjustments including but not limited to final number of shares issued to Vodafone Group and the cash paid or shares issued to Vodafone-Idea and Providence, which will be subject to closing adjustments, including but not limited to movements in net debt and working capital for Bharti Infratel and Indus Towers.

## ...and correspondingly possible increase in Dividend Per Share

- Payouts made by the merged entity will be more tax efficient as currently there is a dual incidence of Dividend Distribution Tax (first paid by Indus and subsequently by Infratel on declaration of dividend to its shareholders) which will be eliminated.
- For the Financial year ended March 31, 2018, EPS in different scenarios i.e. share election by all parties, part cash part share election and cash election can go up from Rs. 13.49 per share (diluted) to a low of Rs.15.41 per share and high of Rs.15.61 per share, representing an increase of 14.3% to 15.7% respectively, with corresponding possible increase in Dividend per share (DPS). This assumes merger being effective on April 1, 2017.
- As per the agreed capital structure and dividend policy which is expected to be implemented post completion, the merged entity is expected to distribute any excess cash flow to its shareholders through dividends or share buybacks, without exceeding a maximum leverage ratio of 3.0x LTM EBITDA.



# Removal of Holdco Discount



**Removal of holdco discount for Indus could theoretically uplift Infratel equity value by ~5-10%**

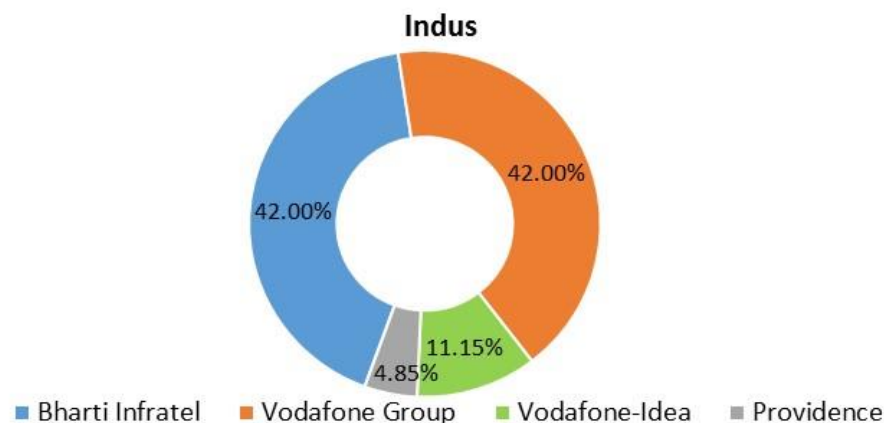
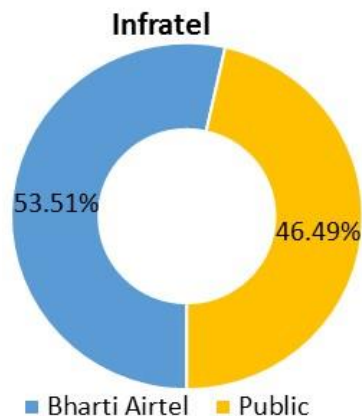
Notes:  
Data using EV/EBITDA LTM Sep'18 multiple of 7.22x for Bharti Infratel

# Simplified Shareholding Structure

- No single operator owning majority stake in the merged entity
- Provides global investors direct access to the ~124k towers of Indus
- Shares in listed entity provide exit opportunity to shareholder operators of Indus
- Single entity with one set of Board of Directors, leadership and senior management to focus on nationwide growth and liaise with stakeholders in a unified manner

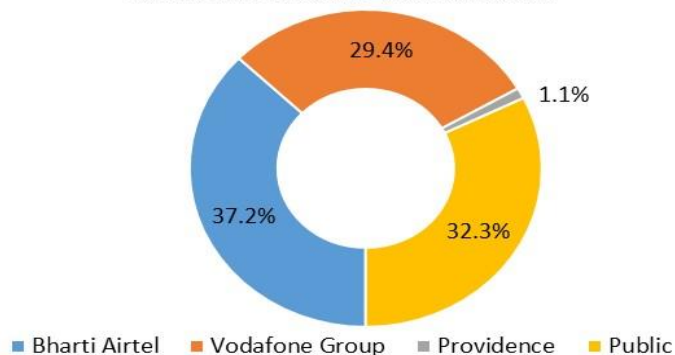
# Shareholding Structures

## Current: Indus and Infratel

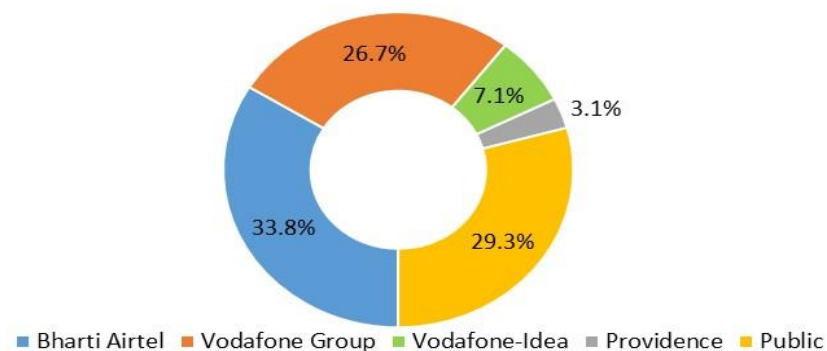


## Post Transaction: Merged Entity

### Part Stock Part Cash Consideration



### All Stock Consideration



- 1) Current Infratel public shareholding includes 10.34% held by Silverview Portfolio Investments Pte. Ltd. (KKR) and Canada Pension Plan Investment Board (CPPIB)
- 2) Bharti Airtel shareholding in the Company as on December 31, 2018, includes 3.18% held by its wholly owned subsidiary Nettle Infrastructure Investments Ltd.
- 3) Post transaction shareholding structures are indicative as mentioned in Press Release dated 25 Apr 2018. The final number of shares issued to Vodafone Group and the cash paid or shares issued to Vodafone-Idea and Providence, will be subject to closing adjustments, including but not limited to movements in net debt and working capital for Bharti Infratel and Indus Towers

# Capex and Opex Synergies Envisioned

## Opex Related Synergies

- Likelihood of saving by way of lower administrative cost, savings on account of common expenses, tower operating center costs etc.
- The head office cost for the merged entity was in the vicinity of Rs.3-4bn during FY 2017-18.

## Capex Related Synergies

- Volume discounts anticipated due to combined buying
- Savings on common investments such as IT, facilities like corporate headquarters, tower operating center, etc.
- Consolidated capex for the merged entity was Rs. 35,953 mn during FY 2017-18

# Details of Merger and Valuation Construct

## Basic Construct

- Vodafone Group shall swap its 42% in Indus against shares in combined entity as per valuation construct
- Providence or PEP shall swap its 1.5% in Indus against shares in combined entity on same basis as Vodafone Group
- Vodafone-Idea for its 11.15% in Indus & PEP for their 3.35% in Indus would have the option to either
  - Get shares in combined entity on same basis as Vodafone Group or
  - Get cash as per valuation construct

## Valuation Construct

### **Valuation Construct for Issuance of Shares (Vodafone Group for 42% and PEP for 1.5% stake in Indus)**

- The merger ratio as at the date of agreement is 1,565 shares in Infratel for every one Indus share.
- The merger ratio has been based on agreed relative Enterprise valuations and adjusted net debts where Indus was valued at a 5.2% discount to Infratel's EV/LTM EBITDA.
- The final merger ratio and hence number of shares issued will depend on the actual net debt and working capital at closing in Infratel and Indus.

### **Construct for Cash (Vodafone-Idea for 11.15% Indus and PEP for 3.35% Indus)**

- Enterprise Value of Infratel and Indus will be based on the last 12 months EBITDA as at Mar'18 i.e. FY17-18, VWAP of 60 days share price of Bharti Infratel at the date of closing and net debt of Infratel and Indus on the date of closing.
- The resultant EV/EBITDA for Infratel shall be discounted by 10% to arrive at the equity value for Indus.

# Governance, Dividend Policy and Other Highlights

## Joint Governance and Management

- Bharti Airtel and Vodafone Group will have equal rights in the combined company

## Board of Directors and Management

- 11 member Board of whom:
  - 3 will be appointed by each of Bharti Airtel and Vodafone Group
  - 1 will be appointed by KKR/Canada Pension Plan Investment Board
  - 4 (including the Chairman) will be independent
- The management team will be confirmed prior to closing

## Lock-in

- None of Bharti Airtel, Vodafone Group or Vodafone-Idea (if it elects to receive shares), will be subject to a lock-in on their shareholdings in the combined company

## Dividend policy

- Bharti Airtel and Vodafone Group have agreed a capital structure and dividend policy which is expected to be implemented post completion. The combined company is expected to distribute any excess cash flow to its shareholders through dividends or share buybacks, without exceeding a maximum leverage ratio of 3.0x LTM EBITDA

## Capital structure

- Cash consideration paid to Vodafone-Idea and/or Providence will be financed through new debt facilities and the existing cash resources of Bharti Infratel
- On the basis that Vodafone-Idea and Providence elect to receive the maximum possible cash consideration, the pro forma net debt of the combined company would have been INR63bn (US\$0.9bn) as at 30 September 2018. This is equivalent to 0.6x net debt/EBITDA LTM Sep'18

## Closure and approvals

- The transaction is conditional on regulatory and other approvals, including from Bharti Infratel shareholders, National Company Law Tribunal (NCLT), Department of Telecommunications (DOT) for Foreign Direct Investment (FDI) approval. Approvals from Competition Commission of India (CCI) and Stock Exchanges/ Securities and Exchange Board of India (SEBI) have already been received.

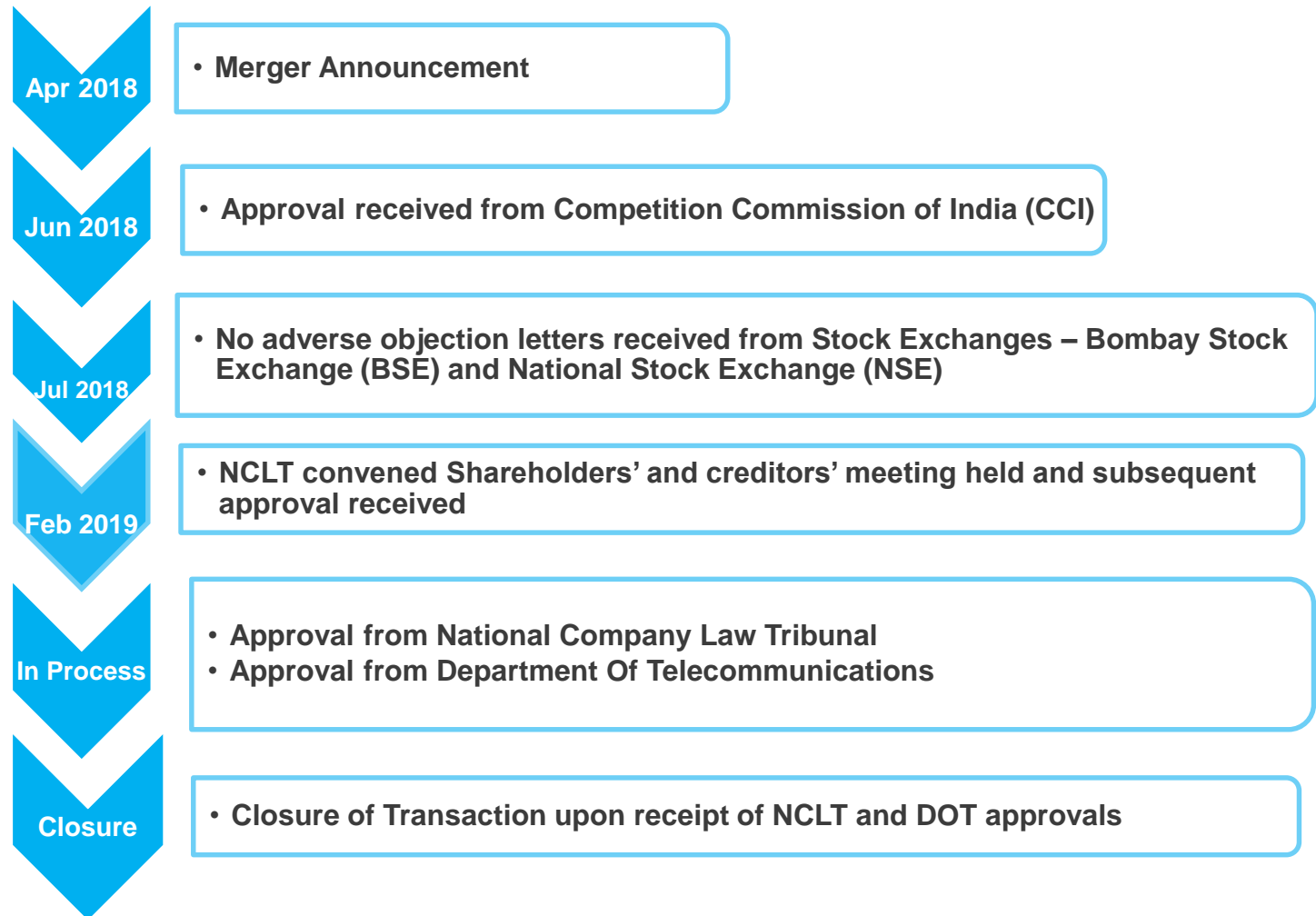
# Mitigating the renewal risk and securing future cash flows

- Right of first refusal from Bharti Airtel and Vodafone-Idea to continue for a period of five years for availing passive infrastructure services from the merged entity with some carve outs/exemptions and commitments.
- Large part of the co-locations' base of the merged entity will be due for renewal in FY 2022 and 2023.
- In an endeavor to mitigate the renewal risk and secure the future cash flows, in lieu of the commitment from the shareholder operators to renew at least 33% of their respective tenancies under their respective Master Service Agreements (MSAs), that are expiring in a financial year, the merged entity will renew all tenancies of such operators expiring in such financial year that are elected to be renewed by the operator, on the same terms and conditions as agreed in the relevant MSAs applicable as of the effective date, provided that each such renewal shall be for a minimum period of 5 years.
- This shall be applicable to all tenancies existing as of the effective date or any tenancies entered into during the period of 5 years from the effective date.
- Same terms and conditions as per the MSAs as on the effective date means sharing revenue per co-location per month per sharing operator, taking into account the annual escalation, if any, as per the MSA terms applicable as of the effective date.

# Merger Timelines



indus  
TOWERS





# In Summary

# Company Strategy

Promote Passive Infrastructure Sharing

Organic Growth and Acquisition Opportunities

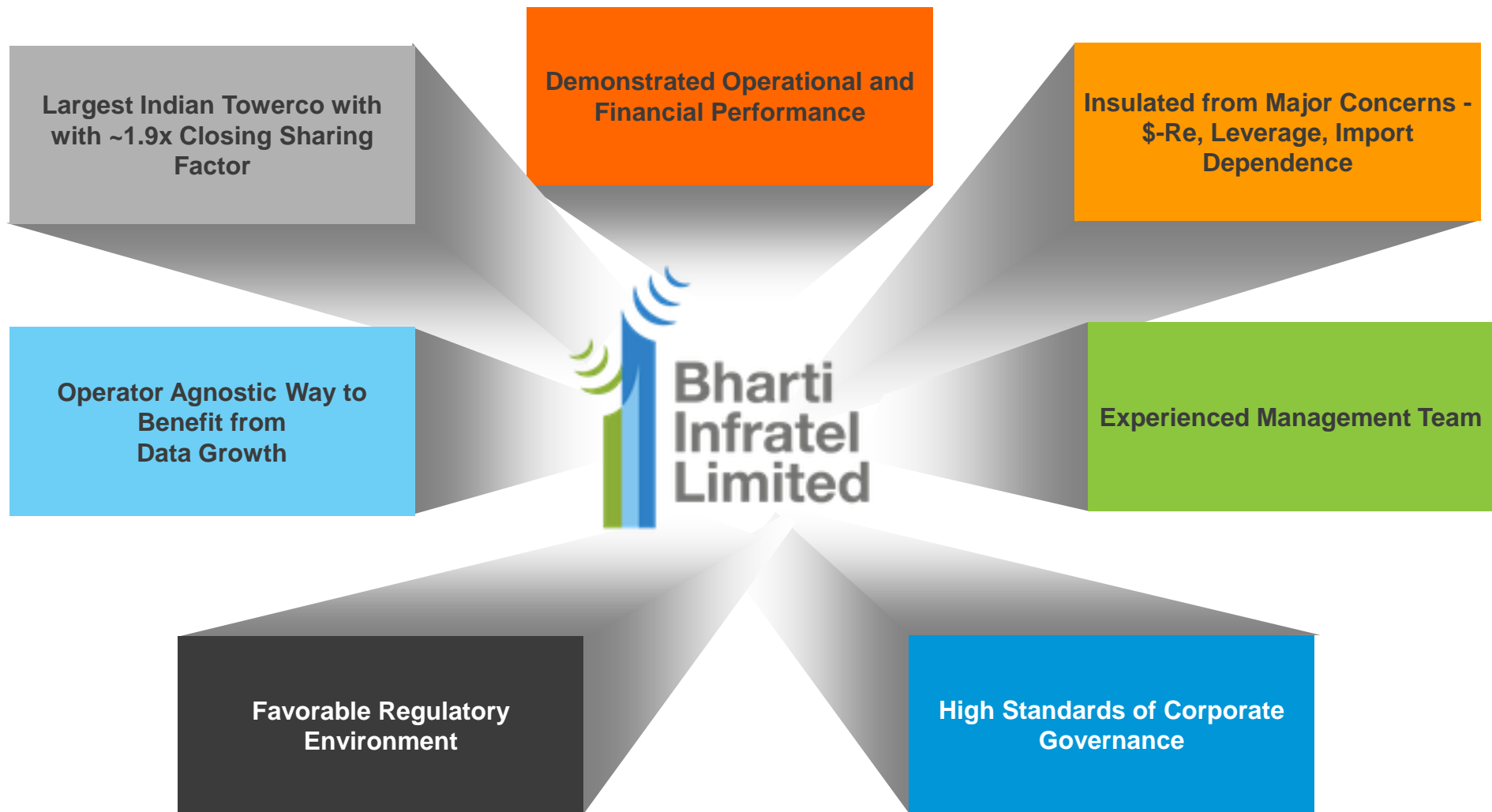
Capitalize on opportunities of Data growth, Digital India, Smart Cities Initiatives of Government



Achieving Cost Efficiencies Across Tower Portfolios

Increasing Revenue and Capital Productivity

# Investment Thesis



# Appendix

# Impact of Data Growth on Tower Industry

- Expansion of 3G / 4G Networks by Operators will necessitate demand for towers
- Propagation on higher frequency band weaker
  - Data usage to drive co-location growth
  - 3G/4G only sites to drive tower demand

## Propagation effects in different bands

Tower Multiplier when Switching Frequencies		New Frequency Band				
		900 MHz	1800 MHz	2100 MHz	2300 MHz	2600 MHz
Base Frequency Band	900 MHz	1.0x	1.6x	1.9x	3.2x	3.7x
	1800 MHz		1.0x	1.2x	2.0x	2.3x
	2100 MHz			1.0x	1.7x	2.0x
	2300 MHz				1.0x	1.1x
	2600 MHz					1.0x

***All operators are customers of Bharti Infratel ~ Operator Agnostic Exposure to Secular Data Growth***

Source: Analysys Mason



Thank You