

Result Snapshot

Amt. in Rs. Crs.	Q4FY20	Q3FY20	Q-o-Q(%)	Q4FY19	Y-o-Y(%)
Revenue	3624.4	3673.3	-1.3%	3600.3	0.7%
Other Income	57.6	33.6		40.8	
Total Income	3682	3706.9	-0.7%	3641.1	1.1%
EBITDA	1721.4	1883.1	-8.6%	1534	12.2%
EBIDTA (%)	47.5%	51.3%		42.6%	
EBIT	933.3	1173.6	-20.5%	941.3	-0.8%
PBT	866.2	1068.8	-19.0%	1006.4	-13.9%
PAT	649.5	798.7	-18.7%	607.6	6.9%
PAT%	17.6%	21.5%		16.7%	

Company Profile

Bharti Infratel is a provider of tower and related infrastructure sharing services. As of March 31, 2020 Bharti Infratel owned and operated 42,053 towers with 75,715 co-locations while Indus operated 126,949 towers with 235,396 co-locations.

Indus is a JV between Bharti Airtel, Vodafone India and Idea Cellular that provides non-discriminatory shared tower services to all wireless telecommunications service providers. With Bharti Infratel's 42% interest in Indus, the company's total tower count is equivalent to 95,372 towers and 1,74,581 co-locations.

Bharti Infratel earns revenue primarily from rental services by leasing of its towers & co-location to namely 3 players.

Tenant Name	% of Tenant for Bharti Infratel + Indus
Bharti Airtel	~ 55%
Vodafone Idea	~ 32%
Reliance Jio	~ 13%

* % of Tenant is an estimate based on various reports, actual numbers are not provided by the company.

Result / Con-call Highlights:

- Result Update:** Bharti Infratel reported revenues of Rs. 14,647 cr up by 0.4% y-o-y in FY20. The company reported an EBITDA of Rs. 7,442 cr and a PAT of Rs. 3,299 cr in FY20. The EBITDA and PAT are not comparable to previous year due to IndAS 116 and reduction in corporate tax rate. IndAS 116 requires the nature of expenses in respect of operating leases to be changed from lease rent in the previous period to depreciation cost for the right to use asset and finance cost for interest accrued on lease liability. Excluding the IndAS 116 effect, the EBITDA decreased ~2% y-o-y basis in FY20. The company also declared its 3rd interim dividend of Rs. 4.10 / share taking the cumulative dividend to Rs. 10.50 / share in FY20.

Result / Con-call Highlights: (Continued)

During the quarter, Bharti Infratel's other expense rose to Rs. 289 cr up 2.5 times sequentially. This was led by provisioning for bad debts triggered by non-payment by telecom firms to an extent of Rs. 193 cr. The telecom infrastructure firm had made similar provisions for bad debts in the previous quarters, but that was for operators that had exited the industry.

2) Bharti Infratel- Indus Merger Update: Since April 2018, a scheme of amalgamation has been proposed to merge Bharti Infratel and Indus to become Indus Tower Ltd and be traded on the exchange. Further, approval from the DoT (Department of Telecommunication) has been received on 21st February, 2020 and the long stop date for the scheme of amalgamation has been extended to 24th June, 2020. This merger deal has had a long overhang with a lot of delay due to approvals however, the management is confident that the deal would be concluded in the next two months.

3) AGR Update: Supreme court order dated 24th October, 2019 ruled the AGR case in favor of DoT (Department of Telecommunication) resulting in hefty penalties due by the affected parties namely Bharti Airtel and Vodafone Idea.

Penalties estimates-

Company Name	DoT estimate Payment Due (Rs. Cr)
Vodafone Idea	~ Rs. 58,254 cr
Bharti Airtel	~ Rs. 43,980 cr
All Operators	~ Rs. 1,47,000 cr

Telcos like Airtel and Vodafone Idea have disputed the amount and have come up with their own figures that are significantly less than what the government has asked for.

Bharti Airtel has made a payment of Rs. 13,004 cr to comply with the AGR judgement and has deposited additional Rs. 5,000 cr as an ad-hoc payment to cover differences if any.

Vodafone Idea has so far paid Rs. 6,854 cr which is the full principal amount towards the AGR dues.

Paying such high dues to government has led to incremental debt and has inflated balance sheet of the telecom operators which were already struggling with high debt. Paying high interest cost would mean these operators would try to bring their operational cost down. One of the major operational costs for telecom operators is network charges which substantially consist of tower rental cost there by affecting Bharti Infratel.

4) Other Information: Each tower has a life of 20-25 years and management will continue to add towers based on customer requirements. The company will built towers even if only one customer/tenant demands it. This is because Infratel does not want operators making their own towers. Having two tenants for a tower is more financially beneficial than a single tenant however; the company does not lose money by making towers only for one tenant.

5) Outlook: Although the company pays a hefty dividend of Rs. 10.5/share in FY20 implying a dividend yield of ~7%, the growth outlook looks tepid due to ongoing consolidation among telecom operators. Bharti Infratels financial performance heavily depends on the sustainability of Vodafone Idea and Bharti Airtels expansion.

With its tenancy growth muted for the near future as Vodafone Idea has already indicated to bring down its operational cost, Bharti Airtel alone cannot fulfill Bharti Infratel's co-location supply. With Jio preferring its own tower company, the fate of Bharti Infratel lays in the co-existence of all the 3 telecom operators.

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