

**Dec 20, 2013**

**Bharti Infratel Ltd.**

**BSE Code:** 534816    **NSE Code:** INFRATEL    **Reuters Code:** BHRI.NS    **Bloomberg Code:** BHIN:IN

Bharti Infratel Ltd. (BIL) is India's leading provider of tower and related infrastructure and it deploys, owns and manages telecom tower communication structures, for various mobile operators. The Company's consolidated portfolio of over 82,000 telecom towers, 35,000 of its own towers and the balance from its 42% equity interest in Indus Towers, makes it one of the largest tower infrastructure providers in the country with presence in all 22 telecom circles. The three leading wireless telecom Bharti Airtel, Vodafone and Idea Cellular - are the largest customers of Bharti Infratel.

### Investor's Rationale

**Posted decent growth in topline of 5.0% YoY driven by increased sharing of infrastructure** – BIL, the telecom tower subsidiary of India's mobile phone service provider - Bharti Airtel registered a marginal growth in topline by 5.0% at ₹26,837 mn for the second quarter ended September 30, 2013 as against ₹26,220mn during the same period of previous fiscal driven mainly by revenues from co-locations of Bharti Infratel and 42% economic interest in Indus and their energy billings. For the quarter ended Sep 30, 2013, Bharti Infratel and Indus had average sharing factors of 1.84 and 2.00 per tower, respectively.

**EBITDA margin expanded 260bps YoY** – The EBITDA of the company grew 12.3% at ₹10,729.0 mn against the ₹9,551.0 mn reported a year earlier, on higher sales from leasing mobile masts to carriers. In line with this, margins also expanded by 260bps YoY at 40.0% against 37.40% primarily due to optimum utilization of available resources and bringing down the cost by infrastructure sharing.

**Bottom-line growth of 12% YoY on higher sales** - BIL registered a decent growth in bottom-line by 12% at ₹2,774 mn owing to better operational performance. However, higher taxation and interest which grew by 29.2% and 57.1% at ₹1,335 mn and ₹1,863 mn, respectively, has restricted the growth of the bottom line. Thus, NPM expanded by 68bps YoY at 10.1% against 9.4%.

**Focused to expand its subscriber base in rural areas** – BIL is focusing on rural areas to increase its subscribers' base. Currently the rural penetration is only 41% in comparison to urban penetration which is whopping 147%, indicating huge potential its expand foot print in rural areas. The Company will now focus on faster roll out of 3G networks. Further, energy efficiency measures and load optimization methods would provide long term benefits by securing against rising diesel cost.

### Market Data

Rating	BUY
CMP (₹)	176
Target Price	200
Stop Loss	156
Duration	Short-term
52-week High-Low (₹)	216/126.3
Rise from 52WL (%)	37.3
Correction from 52WH (%)	19.9
Beta	0.61
1 year Average Volume (mn)	0.52
Stock Return (%)	3M- 20.9 6M- 2.5 1Y- (9.4)
Market Cap (₹bn)	326.0
Book Value (₹)	93.56

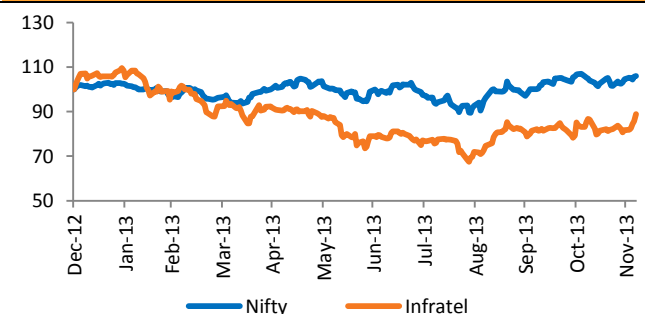
### Shareholding Pattern (Consolidated)

	Sep'13	Jun'13	Chg
Promoters (%)	79.41	79.42	(0.01)
FII (%)	9.41	9.44	(0.03)
DII (%)	2.4	2.35	0.05
Public & Others (%)	8.78	8.79	(0.01)

### Quarterly Performance

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	26,837	25,555	26,220	5.0	2.4
Op. exp	16,108	16,004	15,757	0.6	2.2
EBITDA	10,729	9,551	10,463	12.3	2.5
OPM (%)	40.0	37.4	39.9	260bps	7bps
Net profit	2,774	2,476	3,576	12.0	(22.4)
NPM (%)	10.1	9.4	12.9	68bps	(275bps)
EPS (₹)	1.5	1.4	1.9	3.5	(22.2)

### One Year Price Chart





Indbank Merchant Banking Services Ltd.  
I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai 600035  
Telephone No: 044 – 24313094 - 97  
Fax No: 044 – 24313093  
[www.indbankonline.com](http://www.indbankonline.com)

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