

Improving financial health of Vodafone Idea is long term positive; Renewal of co-locations over the next decade; stress on receivables due to the financial position of major customers.

Key result highlights

Indus Towers Ltd (BHIN) reported QoQ and YoY revenue growth of 15.5% and 15.9%, respectively, to INR 7,967 cr in Q2FY23 . Rental income grew at a QoQ/YoY rate of 13.3%/12.5%, respectively, to INR 4,785 cr, while energy reimbursement from operators was reported as INR 3,182 cr, a QoQ/YoY growth of 19.0%/21.3%, respectively.

The total consolidated tower count stood at 1,87,926, a QoQ addition of 1,452 towers in Q2FY23 (lower than 2,465 towers added in Q2FY22 and 2,464 in Q2FY21). Similarly, the company added 1,746 co-locations in Q2FY23, which took the total co-location count to 3,38,128. Lean towers (not reflected in tenancy and tower counts) witnessed a strong addition of 1,535 in Q2FY23 vs 1,021 in Q1FY23. The company has so far deployed more than 3,100 leaner towers and expects it to accelerate with 5G rollout.

The initial revenue from 5G will come from 5G loading on existing 4G sites while standalone 5G sites will also be set up eventually when traffic picks up. In the next 18 months, it expects 50-60% of existing sites to have 5G loadings given both operators plans to roll out 5G pan-India. In addition, the management indicated that Vodafone-Idea has proposed to make part payment of the due amount billed till 31st Dec 2022 and intends to start paying the full amount, along with its previous dues, by H1CY23. It is expected to improve balance sheet health and cash flows in FY23 and FY24.

EBITDA was reported as INR 2,812 cr, a QoQ/YoY change of +21.1%/-22.7% respectively, while EBITDA margins improved at a QoQ rate of 163bps to 35.3% in Q2FY23. Interest cost grew at a QoQ/YoY rate of 6.1%/4.9%, respectively, to INR 415 cr, while 'Other Income' declined at a QoQ/YoY rate of 23.5%/29.8% to INR 86 cr. As a result, net profit reported QoQ/YoY change of 82.4%/46.1% respectively to INR 2,067.9 cr, while net margins stood at 30.0%.

Valuation

BHIN is currently trading at a FY25 forwarded P/E of 8.3x.

Bloomberg Code	BHIN.IN
No of share O/S (in Cr)	269.5
Market Cap (in Rs Cr)	50,395
Face Value (in Rs)	10.0
Dividend Yield (%)	5.9
52 Wk High/Low (in Rs)	305/181
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Shareholding (%)	
Promoters	69.0
Institutional	29.5
Public	1.5
Total	100

Financial Summary

Figures are in Rs Cr	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY20	FY21	YoY (%)	FY22	YoY (%)
Net Sales	7,966.6	6,876.5	15.9	6,897.3	15.5	25,562.4	25,672.9	0.4	27,717.2	8.0
Power & Fuel Cost	2,717.7	2,651.1	2.5	2,691.5	1.0	9,673.7	9,583.1	-0.9	10,265.8	7.1
RM Cost to Sales (%)	34.1	38.6		39.0		37.8	37.3		37.0	
Employee Cost	195.7	184.8	5.9	183.4	6.7	702.8	768.1	9.3	772.2	0.5
Employee Cost to Sales (%)	2.5	2.7		2.7		2.7	3.0		2.8	
Other Expenses	2,240.8	400.1	460.1	1,700.2	31.8	2,462.0	2,064.2	-16.2	1,736.3	-15.9
Other Exp to Sales (%)	28.1	5.8		24.7		9.6	8.0		6.3	
EBITDA	2,812.4	3,640.5	-22.7	2,322.2	21.1	12,723.9	13,257.5	4.2	14,942.9	12.7
EBITDA Margin (%)	35.3	52.9	-17.64	33.7	1.63	49.8	51.6		53.9	
Depreciation	1,307.9	1,333.3	-1.9	1,339.3	-2.3	3,276.4	5,339.4	63.0	5,355.6	0.3
Interest	415.1	395.8	4.9	391.4	6.1	1,595.2	1,639.1	2.8	1,603.3	-2.2
Interest Coverage	3.6	5.8		2.5		5.9	4.8		6.0	
Other Income	85.6	122.0	-29.8	111.9	-23.5	677.6	535.4	-21.0	458.5	-14.4
Other Income to Sales (%)	1.1	1.8		1.6		2.7	2.1		1.7	
Profit Before Tax	1,175.0	2,033.4	-42.2	703.4	67.0	8,529.9	6,814.4	-20.1	8,442.5	23.9
Tax Rate (%)	25.9	24.2		32.1		17.7	27.0		24.9	
Profit After Tax	870.6	1,541.3	-43.5	477.3	82.4	7,021.6	4,975.2	-29.1	6,342.7	27.5
PAT Margin (%)	10.9	22.4	-11.5	6.9	4.0	27.5	19.4		22.9	
Share of Assoc / Minority Int	0.0	0.0		0.0		0.0	0.0		0.0	
Net Profit	870.6	1,541.3	-43.5	477.3	82.4	7,021.6	4,975.2	-29.1	6,342.7	27.5
Net Margin (%)	10.9	22.4	-11.49	6.9	4.01	27.5	19.4		22.9	
Adjusted EPS	3.2	5.7	-43.5	1.8	82.4	26.1	18.5	-29.1	23.5	27.5
Shareholder's Funds						13,542.3	15,877.0	17.2	22,150.5	39.5
BV per share						50.3	58.9	17.2	82.2	39.5
Net Debt						1,186.1	21,705.2	1,730.0	18,978.0	-12.6
Net Debt to Equity						0.1	1.4		0.9	
Net Debt to EBITDA						0.1	1.6		1.3	
RoE						51.8	31.3		28.6	
RoIC						52.8	15.4		17.5	
P/E						7.2	10.1		7.9	
EV/EBITDA						4.1	5.4		4.6	

Segmental Performance

Fig in INR Cr (unless specified)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	FY20	FY21	FY22
Total Towers	1,69,630	1,72,094	1,75,510	1,79,225	1,80,997	1,83,462	1,84,748	1,85,447	1,86,474	1,87,926	1,69,002	1,79,225	1,85,447
<i>Net Quarterly Addition in Towers</i>	<i>628</i>	<i>2,464</i>	<i>3,416</i>	<i>3,715</i>	<i>1,772</i>	<i>2,465</i>	<i>1,286</i>	<i>699</i>	<i>1,027</i>	<i>1,452</i>		<i>10,223</i>	<i>6,222</i>
<i>Net Annual Addition in Towers</i>			<i>8,390</i>	<i>10,223</i>	<i>11,367</i>	<i>11,368</i>	<i>9,238</i>	<i>6,222</i>	<i>5,477</i>	<i>4,464</i>		<i>10,223</i>	<i>7,023</i>
Total Co-locations	3,10,627	3,14,106	3,18,310	3,22,438	3,25,355	3,32,551	3,35,106	3,35,791	3,36,382	3,38,128	3,11,111	3,22,438	3,35,791
<i>Net Quarterly Addition in Co-locations</i>	<i>-484</i>	<i>3,479</i>	<i>4,204</i>	<i>4,128</i>	<i>2,917</i>	<i>7,196</i>	<i>2,555</i>	<i>685</i>	<i>591</i>	<i>1,746</i>		<i>11,327</i>	<i>13,353</i>
Avg Sharing Factor (X)	1.83	1.83	1.81	1.80	1.80	1.81	1.81	1.81	1.80	1.80	1.84	1.80	1.81
<i>Avg Sharing Factor of New Towers</i>	<i>-0.77</i>	<i>1.41</i>	<i>1.23</i>	<i>1.11</i>	<i>1.65</i>	<i>2.92</i>	<i>1.99</i>	<i>0.98</i>	<i>0.58</i>	<i>1.20</i>		<i>1.11</i>	<i>2.15</i>
Sharing Revenue (Rental Income)	3,897	4,018	4,314	4,141	4,211	4,254	4,397	4,745	4,223	4,785	15,752	16,369	12,862
<i>YoY Growth</i>			<i>7.4%</i>	<i>5.7%</i>	<i>8.1%</i>	<i>5.9%</i>	<i>1.9%</i>	<i>12.7%</i>	<i>-4.0%</i>	<i>0.8%</i>		<i>3.9%</i>	<i>5.7%</i>
Avg Monthly Income per Tower	76,715	78,379	82,732	77,825	77,939	77,807	79,609	85,445	75,688	85,194		78,345	58,783
<i>YoY Growth</i>				<i>0.2%</i>	<i>1.6%</i>	<i>-0.7%</i>	<i>-3.8%</i>	<i>9.6%</i>	<i>-4.9%</i>	<i>-0.3%</i>			<i>0.7%</i>
<i>QoQ Growth</i>	<i>-1.3%</i>	<i>2.2%</i>	<i>5.6%</i>	<i>-5.9%</i>	<i>0.1%</i>	<i>-0.2%</i>	<i>2.3%</i>	<i>7.3%</i>	<i>-11.4%</i>	<i>12.6%</i>			
Avg Monthly Income per Co-location	41,783	42,873	45,473	43,086	43,340	43,102	43,904	47,148	41,879	47,289		43,062	32,567
<i>YoY Growth</i>				<i>2.3%</i>	<i>3.7%</i>	<i>0.5%</i>	<i>-3.5%</i>	<i>8.8%</i>	<i>-4.6%</i>	<i>0.3%</i>			<i>1.3%</i>
<i>QoQ Growth</i>	<i>-0.8%</i>	<i>2.6%</i>	<i>6.1%</i>	<i>-5.2%</i>	<i>0.6%</i>	<i>-0.5%</i>	<i>1.9%</i>	<i>7.4%</i>	<i>-11.2%</i>	<i>12.9%</i>			
Energy Reimbursements	2,189	2,342	2,422	2,351	2,586	2,623	2,531	2,372	2,675	3,182	9,810	9,304	10,111
<i>YoY Growth</i>			<i>-0.2%</i>	<i>-1.6%</i>	<i>18.1%</i>	<i>12.0%</i>	<i>4.5%</i>	<i>-8.3%</i>	<i>5.7%</i>	<i>34.2%</i>		<i>-5.2%</i>	<i>10.6%</i>
Avg Energy Reimbursements per Tower	43,099	45,680	46,459	44,178	47,854	47,978	45,816	42,709	47,946	56,661		44,529	46,209
<i>YoY Growth</i>				<i>-6.7%</i>	<i>11.0%</i>	<i>5.0%</i>	<i>-1.4%</i>	<i>-3.3%</i>	<i>0.2%</i>	<i>18.1%</i>			<i>5.4%</i>
<i>QoQ Growth</i>	<i>-9.0%</i>	<i>6.0%</i>	<i>1.7%</i>	<i>-4.9%</i>	<i>8.3%</i>	<i>0.3%</i>	<i>-4.5%</i>	<i>-6.8%</i>	<i>12.3%</i>	<i>18.2%</i>			

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