

January 25, 2024

RESULT REPORT Q3 FY24 | Telecommunication

# Indus Towers Ltd

**Inline financial performance; Robust addition of towers in the quarter**

## Result Synopsis

**Indus Towers (INDUSTOW) reported inline performance for the quarter. The sequential revenue growth and EBITDA margin were as per expectation. It reported revenue growth of 0.9% QoQ, led by 2.0% QoQ increase in the number of colocations and 1.7% QoQ decline in average sharing revenue per sharing operator. Core sharing revenue increased QoQ to Rs 44,131mn. There was sequential increase in EBITDA margin (up 185 bps QoQ) on account of lower power and fuel cost. Average sharing factor for the quarter was 1.72x vs 1.74x in previous quarter.**

**The precarious financial condition of VIL continues to weigh down on Indus Towers. We expect that densification of 4G network and rollout of 5G services would drive business growth for it. The accelerated rollout of 5G in India offers strong visibility for business growth for next two years. Also, operating margin is expected to remain strong led by focus on optimizing power and fuel cost. We estimate revenue CAGR of 4.7% over FY23-26E with average EBITDA margin of 45.7%. We maintain our ADD rating on the stock with revised target price of Rs 263/share based on PER of 10.0x on FY26E. The stock trades at PER of 9.6x/8.8x on FY25E/FY26E EPS.**

## Result Highlights

- Revenue increased by 0.9% QoQ to Rs 71,990 mn, led by 2.0% QoQ increase in the number of colocations and 1.7% QoQ decrease in average sharing revenue per sharing operator. Core sharing revenue increased QoQ to Rs 44,131mn.
- EBITDA margin increased by 185 bps QoQ to 50.3% on account of lower power and fuel cost (down 2.1% QoQ). Other Expenses include provision for doubtful debts of Rs 2,270 mn.
- Total number of towers grew by 3.7% QoQ to 2,11,775. Total number of colocations grew by 2.0% QoQ to 3,60,679. Average sharing revenue per sharing operator per month increased by 1.3% QoQ to Rs 41,454.
- Average sharing factor for the quarter declined to 1.72x from 1.74x in Q2FY24.
- Capex for the quarter was Rs 26,528 mn vs Rs 22,897 mn for Q2FY24.
- Net debt (with lease liabilities) decreased to 198.2bn from Rs 203.5bn in Q2FY24.

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	71,990	72,028	71,620	-0.1%	0.5%
EBITDA	36,216	35,186	34,270	2.9%	5.7%
EBITDA Margin (%)	50.31%	48.85%	47.85%	146 bps	246 bps
Adjusted PAT	15,405	13,523	12,970	13.9%	18.8%

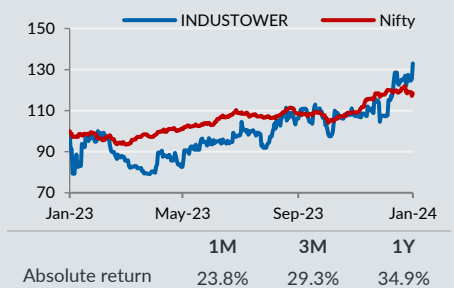
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 230
Target Price	: Rs 263
Potential Return	: + 14.4%

## Stock data (as on January 24, 2024)

Nifty	21,454
52 Week h/l (Rs)	236 / 135
Market cap (Rs/USD mn)	584988 / 7037
Outstanding Shares (mn)	2,695
6m Avg t/o (Rs mn):	1,845
Div yield (%):	-
Bloomberg code:	INDUSTOW IN
NSE code:	INDUSTOWER

## Stock performance



## Shareholding pattern (As of Sep'23 end)

Promoter	69.0%
FII+DII	28.1%
Others	2.9%

## Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	263	201

## Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	21.6	24.0	26.3
EPS (Old)	20.3	22.4	NA
% change	6.3%	7.1%	NA

## Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	287,714	307,844	332,231
YoY Growth	1.4%	7.0%	7.9%
EBIDTA	141,886	151,613	165,285
YoY Growth	45.3%	6.9%	9.0%
PAT	58,157	64,628	70,818
YoY Growth	121.0%	11.1%	9.6%
ROE	24.3%	23.0%	23.0%
EPS	21.6	24.0	26.3
P/E	10.7	9.6	8.8
BV	99	109	119
P/BV	5.2	4.7	4.3

## PARTH GHIYA

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## Exhibit 2: Quarterly snapshot Console: EBITDA Margin improved due to lower power and fuel cost

Particulars(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	yoy %	qoq %	9MFY24	9MFY23	yoy %
Revenue	67,650	67,529	70,759	71,325	71,990	6.4	0.9	214,074	216,289	-1.0
Sharing Revenue	41,748	42,499	43,345	43,365	44,131	5.7	1.8	130,841	131,818	-0.7
EBITDA	11,858	34,466	35,138	34,559	36,216	205.4	4.8	105,913	63,204	67.6
EBITDA Margin (%)	17.5%	51.0%	49.7%	48.5%	50.3%	3278 bps	185 bps	49.5%	29.2%	2025 bps
Depreciation	13,577	13,202	13,741	15,256	15,957	17.5	4.6	44,954	40,038	12.3
EBIT	(1,719)	21,264	21,397	19,303	20,259	-1278.5	5.0	60,959	23,166	163.1
EBIT Margin(%)	-2.5%	31.5%	30.2%	27.1%	28.1%	3068 bps	108 bps	28.5%	10.7%	1776 bps
Other Income	898	1,161	565	972	989	10.1	1.7	2,526	2,452	3.0
Interest cost	3,540	3,355	3,516	2,464	107	-97.0	-95.7	6,087	11,184	-45.6
PBT	(9,521)	18,933	18,103	17,467	20,765	-318.1	18.9	56,335	8,659	550.6
Tax	(2,439)	4,942	4,624	4,520	5,360	-319.8	18.6	14,504	2,251	544.3
PAT	(7,082)	13,991	13,479	12,947	15,405	-317.5	19.0	41,831	6,408	552.8
PAT Margin(%)	-10.5%	20.7%	19.0%	18.2%	21.4%	3187 bps	325 bps	19.5%	3.0%	1658 bps

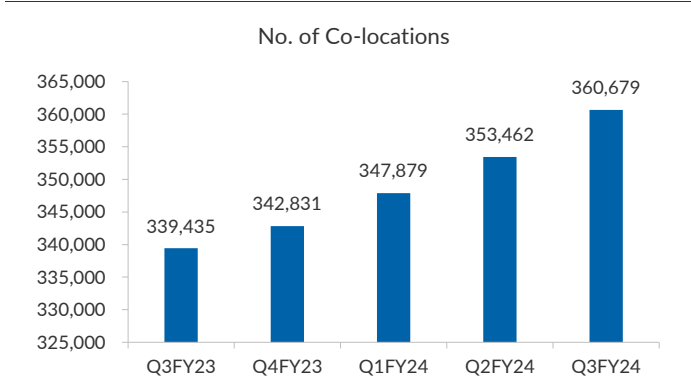
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- 400,000 5G BTS have already been deployed and the average 5G rollout remained at ~7,000/week.
- According to Ericsson, global 5G subscription is expected to reach 1.1bn by end of 2023 and cross 5bn milestone by end of 2028. India 5G subscription expected to reach 700 Mn by end of 2028.
- Collection from VIL remain in line with the billing amount. Rs 3 bn was collected on account of outstanding past dues in addition to 100% of the monthly collection.
- One of the clients (Airtel) is expanding its rural coverage and this is contributing to increase in number of towers. Capex spend is expected to remain strong.
- Added ~3,000 solar sites during Q3FY24 v/s ~2,000 solar sites in Q2FY24.
- CAPEX for the whole year may remain elevated due to higher demand from telcos and strong order book.
- Reduced the diesel consumption by 7.0% YoY, thereby contributing to go green initiative.
- Operating Free Cash Flow stood at Rs 1,628 Mn for Q3FY24.
- The Return on Capital Employed improved to 19.2% as against 12.5% on Y-o-Y basis.
- Q3 FY23 had an impact of Rs. 2,270 crores due to provision for doubtful debts and Rs. 493 crores from an exceptional item.

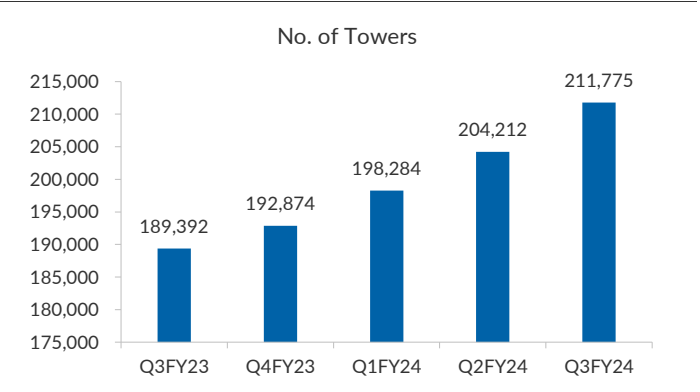
## STORY IN CHARTS

**Exhibit 3: Growth in the number of colocations inline with trend**



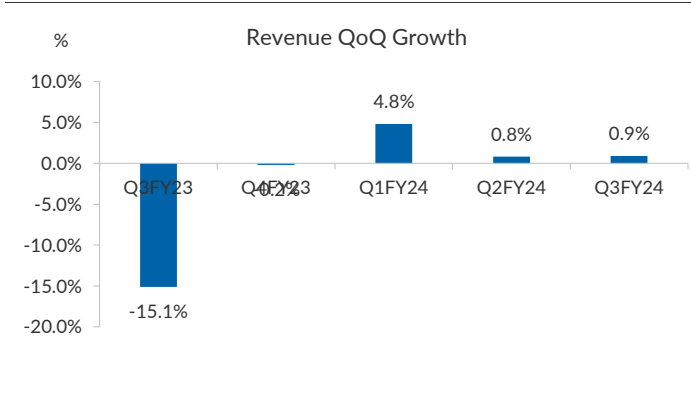
Source: Company, YES Sec

**Exhibit 4: The growth in the number of towers led by rising demand for mobile Internet**



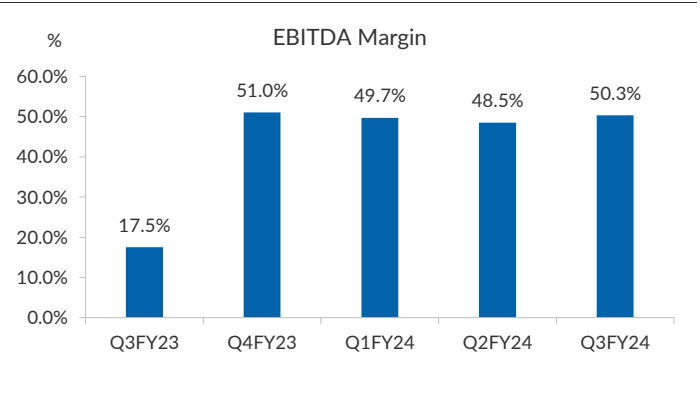
Source: Company, YES Sec

**Exhibit 5: Revenue growth was inline with estimates**



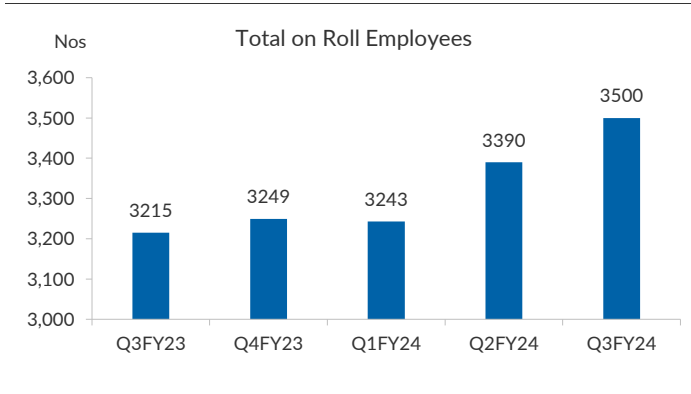
Source: Company, YES Sec

**Exhibit 6: EBITDA margin inline with estimates**



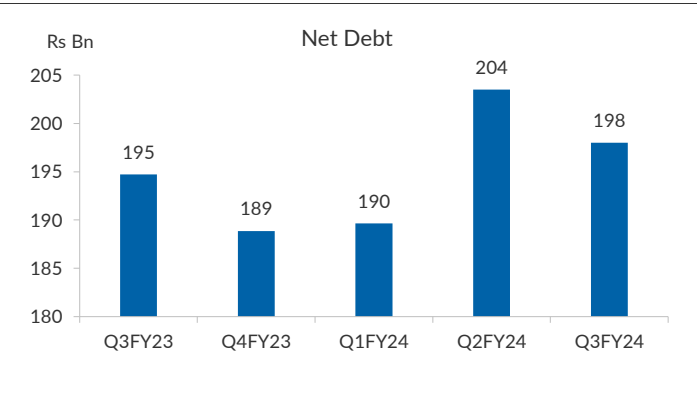
Source: Company, YES Sec

**Exhibit 7: Headcount was up sequentially**



Source: Company, YES Sec

**Exhibit 8: Net debt decreased on sequential basis**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 9: Balance Sheet

Y/e March 31 (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share capital	26,949	26,949	26,949	26,949	26,949	26,949
Reserves & surplus	131,821	194,556	184,146	241,144	266,845	295,025
Minority Interests and others	0	0	0	0	0	0
Non-current liabilities	151,161	169,902	173,001	170,293	168,760	168,227
Long-term borrowings	127,378	144,616	148,546	143,678	139,784	136,668
Other non-current liabilities	23,783	25,286	24,455	26,615	28,976	31,558
Current liabilities	139,506	88,269	81,628	82,821	84,042	85,292
ST borrowings, Curr maturity	76,444	52,644	43,303	43,531	43,761	43,993
Other current liabilities	63,062	35,625	38,325	39,290	40,281	41,298
<b>Total (Equity and Liabilities)</b>	<b>449,437</b>	<b>479,676</b>	<b>465,724</b>	<b>521,206</b>	<b>546,596</b>	<b>575,492</b>
Non-current assets	353,139	356,563	378,648	432,638	453,733	477,585
Fixed assets (Net block)	320,738	320,048	327,382	320,439	309,329	294,984
Long-term loans and advances	0	0	0	0	0	0
Other non-current assets	21,868	25,503	39,514	100,330	132,416	170,492
Current assets	96,298	123,113	87,076	88,568	92,863	97,908
Cash & current investment	52,418	50,078	35,498	36,206	36,928	37,664
Other current assets	43,880	73,035	51,578	52,362	55,935	60,244

Source: Company, YES Sec

### Exhibit 10: Income Statement

Y/e March 31 (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	256,729	277,172	283,818	287,714	307,844	332,231
Operating expenses	(124,154)	(127,743)	(186,148)	(145,828)	(156,231)	(166,946)
EBITDA	132,575	149,429	97,670	141,886	151,613	165,285
Depreciation	(53,394)	(53,252)	(53,240)	(61,277)	(68,235)	(73,641)
EBIT	79,181	96,177	44,430	80,609	83,378	91,644
Other income	2,983	3,525	3,613	3,520	4,006	4,054
Finance cost	(14,021)	(14,973)	(14,539)	(6,192)	(399)	(368)
Profit before tax	68,143	84,729	33,504	77,938	86,985	95,330
Tax (current + deferred)	(16,786)	(20,576)	(7,193)	(19,781)	(22,357)	(24,512)
Profit / (Loss) for the period	51,357	64,153	26,311	58,157	64,628	70,818
Reported Profit / (Loss)	51,357	64,153	26,311	58,157	64,628	70,818
Adjusted net profit	51,357	64,153	26,311	58,157	64,628	70,818

Source: Company, YES Sec

## Exhibit 11: Cash Flow Statement

Y/e March 31 (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	68,143	84,729	33,504	77,938	86,985	95,330
Depreciation	53,394	53,252	53,240	61,277	68,235	73,641
Change in working capital	1,697	(55,060)	25,697	2,055	(521)	(1,024)
Total tax paid	(16,878)	(20,361)	(20,329)	(19,903)	(22,480)	(24,637)
Cash flow from oper. (a)	120,377	77,533	106,651	127,558	132,618	143,678
Capital expenditure	(52,027)	(52,562)	(60,574)	(54,333)	(57,126)	(59,296)
Change in investments	19,597	11,518	4,262	(823)	(838)	(854)
Others	(4,276)	(3,635)	(1,793)	(60,694)	(31,962)	(37,952)
Cash flow from inv. (b)	(36,706)	(44,679)	(58,105)	(115,851)	(89,926)	(98,102)
Free cash flow (a+b)	83,671	32,854	48,546	11,707	42,692	45,576
Equity raised/(repaid)	(18,311)	62,735	(10,410)	56,998	25,702	28,180
Debt raised/(repaid)	(1,825)	(6,562)	(5,411)	(4,640)	(3,664)	(2,883)
Dividend (incl. tax)	(59,854)	0	(29,638)	0	(38,552)	(42,270)
Others	(6,361)	(79,370)	(12,665)	(64,063)	(26,174)	(28,601)
Cash flow from fin. (c)	(86,351)	(23,197)	(58,124)	(11,705)	(42,689)	(45,574)
Net chg in cash (a+b+c)	(2,680)	9,657	(9,578)	2	2	2

Source: Company, YES Sec

## Exhibit 12: Ratio Analysis

Y/e March 31	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth(%)						
Revenue Growth	0.4	8.0	2.4	1.4	7.0	7.9
EBITDA Growth	4.2	12.7	(34.6)	45.3	6.9	9.0
EBIT Growth	6.2	21.5	(53.8)	81.4	3.4	9.9
Net Profit Growth	(0.5)	24.9	(59.0)	121.0	11.1	9.6
Profitability Ratios(%)						
EBITDA Margin	51.6	53.9	34.4	49.3	49.3	49.8
EBIT margin	30.8	34.7	15.7	28.0	27.1	27.6
Net Profit margin	20.0	23.1	9.3	20.2	21.0	21.3
RoA	17.4	20.7	9.4	16.3	15.6	16.3
RoE	30.6	33.7	12.2	24.3	23.0	23.0
RoCE	20.0	23.2	10.2	17.7	16.9	17.6
Liquidity Ratios						
Net debt/Equity (x)	1.0	0.7	0.7	0.6	0.5	0.4
Current ratio (x)	0.7	1.4	1.1	1.1	1.1	1.1
Quick ratio (x)	0.7	1.4	1.1	1.1	1.1	1.1
Valuation Ratios						
PER(x)	13.1	6.0	23.6	10.7	9.6	8.8
PCE(x)	6.4	3.3	7.8	5.2	4.7	4.3
Price/Book(x)	4.2	1.7	2.9	2.3	2.1	1.9
EV/EBITDA(x)	6.2	3.6	7.9	5.4	5.1	4.6

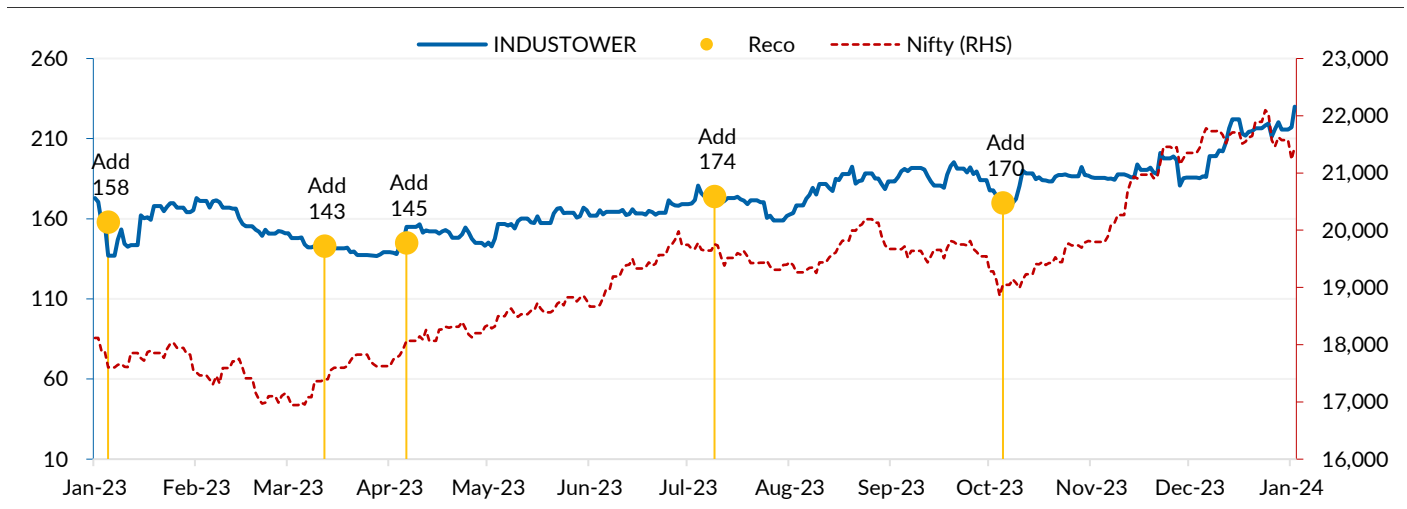
Source: Company, YES Sec

## Exhibit 13: Dupont Analysis

Dupont Analysis	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net margin(%)	20.0	23.1	9.3	20.2	21.0	21.3
Asset turnover (x)	0.6	0.6	0.6	0.6	0.6	0.6
Leverage factor (x)	2.7	2.4	2.2	2.1	1.9	1.8
Return on Equity(%)	30.6	33.7	12.2	24.3	23.0	23.0

Source: Company, YES Sec

## Recommendation Tracker



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**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

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YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.