

Bharti Telecom Limited

October 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non Convertible Debentures	12,000.00	CARE AAA; Stable	Assigned

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The rating assigned to the proposed non-convertible debentures (NCD) issue of Bharti Telecom Limited (BTL) factors in the robust financial flexibility driven by its strong parentage of Bharti group² and Singapore Telecommunications Limited (SingTel), its integral role as an investment holding company of the group, bolstered by its 39.13% equity stake in group's flagship telecom business – Bharti Airtel Limited (BAL; rated CARE AAA; Stable / CARE A1+) as on September 30, 2024. Bharti group is a leading conglomerate in India with diversified interests in telecom, insurance, payment solutions, real estate, and agri-products, while SingTel is a leading telecommunication service provider in Singapore and Australia.

The rating also derives strength from robust credit profile of its underlying asset – BAL, a global telecommunications solutions provider with over 562 million customers across India and 14 countries in Africa as on March 31, 2024. BAL's strong credit profile is driven by its prominent market position in Indian mobile services, established operations in mobile business in Africa, diversified revenue stream in non-mobile segment with strong growth expected from enterprise segment, and steady improvement in leverage, which is expected to be further bolstered with reduction in capex intensity and expansion of profit before interest, lease rentals, depreciation, and taxation (PBILDT).

CARE Ratings Limited (CARE Ratings) favourably notes the significant market value of BTL's stake in the listed equity shares of BAL worth ₹4.04 lakh crore as on October 15, 2024 which is entirely unencumbered. While the other holdcos of Bharti group, Bharti Enterprises (Holding) Private Limited (BEHPL) and Bharti Enterprises Limited (BEL; rated 'CARE A1+') are debt free as on September 30, 2024, BTL had outstanding debt of ₹24,290 crore. The strong market value of investments to combined debt cover for the three holdcos is a credit positive. CARE Ratings believes that BTL will continue to benefit from increased profitability and prospects of stronger cash flow generation of BAL.

The above rating strengths, however, are partially tempered by exposure to market-related systematic risks which influence BTL's investment to debt cover.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative Factors

- Deterioration in credit rating of BAL by one or more notches
- Steep fall in market capitalisation of BAL thus compressing market value of investment-to-debt (combined for all three Bharti group holdcos) cover
- Material dilution of BTL's shareholding in BAL

Analytical approach: Standalone. Given the common treasury function for the Bharti group, market value to debt cover has been analysed on a combined basis for the three holdcos: BEL, BTL and BEHPL.

Outlook: Stable

The stable outlook reflects expectation that BTL will continue to derive financial flexibility both, due to its stake in BAL and resourcefulness of promoters.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

² Bharti Group refers to Bharti Enterprise Limited, Bharti Enterprise Holding Private Limited and Bharti Telecom Limited

Detailed description of key rating drivers

Key strengths

Strong parentage of Bharti group and SingTel

BTL has strong parentage of Bharti group (50.56%) and SingTel (49.44 %). Bharti group is one of the leading conglomerates in India with diversified interests in telecom, insurance, payment solutions, real estate, and Agri-products. SingTel, a leading telecom service provider in Singapore, is owned by Government of Singapore through its 100% subsidiary – Temasek Holdings (Private) Limited (52% stake). SingTel is also a major telecom service provider in Australia through its wholly owned subsidiary – SingTel Optus Pty Limited. It has operations in 21 countries with over 780 million mobile customers as on March 31, 2024. The board members of BTL have representation from Mittal family and SingTel.

Strategic role with track record of support from the promoter group

BTL is the major Holdco of the Bharti group for the telecom businesses, the significance of which for the group is reflected by its underlying investments. Being the holdco of BAL, CARE Ratings expects the company will continue to prudently manage its leverage closely and enjoy the support of its promoters as evidenced by its past track record.

Robust credit profile of its underlying investment – BAL

BAL is a global telecommunications solutions provider with over 562 million across India and 14 countries in Africa as on March 31, 2024. It is the second-largest telecommunication service provider in India, with 352.3 million wireless subscribers and also the second-largest mobile operator in Africa with over 150 million customers across 14 countries as on March 31, 2024. BAL's retail portfolio includes 4G and 5G wireless services, mobile commerce, fixed line services, home broadband and direct-to-home services. BAL is also catering to the B2B segment through its 12 data centers, 120 Edge data centers, subsea marine cables spanning across 4,00,000 kms over 50 countries and five continents. BAL has displayed continuous improvement in operational performance, resulting in healthy business and financial risk profiles. The latest tariff hike in July 2024 boosting its ARPU, diversified revenue streams, moderating capex, and steady improvement in the leverage going forward are expected to augur well for the credit profile of BAL.

High investments value and resourceful promoter groups drive BTL's financial flexibility

The financial flexibility of BTL is underpinned by the strong reputation and resourcefulness of its promoters, the robust credit profile of its flagship business, BAL, and the significant market value of its stake in BAL. As of September 30, 2024, BTL is the largest shareholder in BAL, holding a 39.13% stake valued at ₹4.04 lakh crore as of October 15, 2024. Additionally, the promoters' entire stake in BAL is unencumbered, providing substantial financial flexibility.

CARE Ratings notes that BTL has consistently maintained a strong investments (market value) to debt cover ratio. For leverage monitoring, CARE Ratings considers the debt at BTL, BEL, and BEHPL, given their common ownership by BEHPL. As of September 30, 2024, BEL and BEHPL had no external debt, while BTL's outstanding debt was ₹24,290 crore. Although the borrowing level for the holding companies, primarily BTL, increased over the past two years ending FY24 due to the acquisition of a stake in BAL from another prominent shareholder group, the investment (market value) to combined debt cover remained strong. Even with the proposed issuance of NCDs up to ₹12,000 crore, the investments (market value) to combined debt is expected to remain robust and will be a key monitorable.

Key weaknesses

Exposure to inherent market risk

The financial flexibility available to BTL relies on the market value of its investments, which is exposed to the volatility associated with market-linked fluctuations. Increase in market-related risks, leading to a sharp decline in investments value with no commensurate reduction in external debt levels on a sustained basis, constitutes a key rating monitorable.

Liquidity: Strong

Being a Holdco, BTL primarily relies on dividend income from BAL with no other operating revenue sources. In FY24, BTL received healthy dividend income of ₹1,818 crore, expectations of which continues to be supported by healthy free cash flows generation by BAL. The strong liquidity is also supported by a healthy market cover of its investments and significant financial flexibility due to its shareholding in BAL, valued at over ₹4.04 lakh crore as of October 15, 2024, and resourceful promoters.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Investment Holding Companies](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Financial Sector](#)
[Mobile service provider](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Holding Company

Incorporated in July 1985, BTL is promoted by the Bharti Group (50.56% stake) and SingTel (49.44% stake). Bharti group holds the stake in BTL through the ultimate holdco of the group BEHPL, and Singtel through its subsidiaries: Singtel International Investments Private Limited (10.13%), Pastel Limited (32.08%) and Magenta Investment Limited (7.23%). BTL is the promoter of BAL, the flagship operating company which is also a leading player in the Indian telecommunications industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	609.70	882.00	0.80
PAT	-304.50	-916.50	-549.40
Interest coverage (times)	0.77	0.54	NM
Total assets	24,507.20	32,837.60	NA
Net NPA (%)	Not relevant	Not relevant	Not relevant
ROTA (%)	Not relevant	Not relevant	Not relevant

A: Audited; UA: Un-audited (limited review by the auditor); Note: The above results are the latest financial results available.

NM: Not meaningful; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	_*	_*	_*	_*	12000.00	CARE AAA; Stable

*Proposed

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	12000.00	CARE AAA; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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