

Message from Chairman



In the last few years, we have planted the seeds for venturing into adjacent business opportunities which are emerging as the telecom industry undergoes another transition.



Dear Shareholders,

During the year FY 2018-19, the Indian Telecom Industry continued to surpass more milestones, notable among those being a nation of over a billion mobile phones & digital identities and half a billion internet users with the highest mobile data consumption in the world.

The digital wave is sweeping across the nation with exponential growth in data volumes witnessed among both on consumer and enterprise side, rising consumption of content especially video, proliferation of mobile-app based & e-commerce platforms, among others. According to Department of Telecommunications, "At the current pace of digitization and digitalization, it is estimated that India's digital economy has

the potential to reach one trillion USD by 2025." We believe telecom infrastructure companies like ours, will have a key role to play in this growth as significant investments will be needed on the infrastructure side to provide high-speed broadband to the masses and connectivity to all uncovered areas.

2018 marked the announcement of the much awaited "National Digital Communications Policy 2018" by Department of Telecommunications. This is a forward looking policy providing roadmap for the next level of growth and development of the communications sector. For companies engaged in telecom infrastructure, the policy also has a number of positive developments such as enhanced scope of IP-1s to offer active infrastructure along with passive, according the status of critical and essential infrastructure to telecom infrastructure, facilitating

Fiber-to-the tower program to enable fiberization of at least 60% telecom towers and, promoting collaborative models for provision of shared duct infrastructure, alongside roads/highways, IBS in buildings compulsory through National Building Code of India (NBC), among others. By encouraging and facilitating sharing in the policy, we are more aligned than ever before with the Government on their vision of Digital India.

In terms of the industry landscape, "Operator Consolidation" as a theme entered its last phase with the shutdown of few operators and the culmination of the Vodafone-Idea and Airtel-Telenor mergers during the year. As a result, the tower companies saw significant exits of co-locations of these operators. Between Bharti Infratel and Indus Towers, approximately 20% of opening co-locations were lost during the year translating to approximately 75,000

co-locations on an overall basis and approximately 40,000 co-locations on consolidated basis.

However as stated before, we believe the silver lining of this turmoil has been a favorable industry structure which from a peak of 14 operators has now stabilized at 3 private operators along with a nationwide Government-operator presence in the form of BSNL and MTNL. In the long run, this would result in more nationwide rollouts as compared to regional strategies earlier.

On the operations side, while new co-locations have been impacted by the ongoing consolidation, we have seen an all-time high 4G BTS deployment by operators in the last year. Most of these were in the form of additional loading on existing towers. Given the high percentage of 3G/4G loaded towers, we are now seeing healthy gross tower additions which we believe is a leading indicator of co-location demand.

The key operational and financial highlights of the year were:

- As on March 31, 2019, the consolidated tower base stood at 92,277 with consolidated co-locations at 172,724 Y-o-Y with a co-location factor of 1.87 at closing. It is important to highlight that despite unprecedented loss of co-locations, the overall financial performance for the year ended March 31, 2019 has only been marginally lower than last year.
- Consolidated revenues for the year, at ₹145,823 Mn, grew 1% Y-o-Y
- Consolidated EBITDA at ₹60,733 Mn, declined 6% Y-o-Y,

representing an operating margin of 41.6%.

- Consolidated Profit after tax at ₹24,938 Mn, was largely flat Y-o-Y
- Operating Free Cash Flow at ₹42,366 Mn, grew 1% Y-o-Y

During the year, we paid two interim dividends of ₹7.5 per share aggregating to ₹15 per share as dividends for the year. Total cash outgo for the dividend for the full year, inclusive of tax on dividend would amount to ₹33,447 Mn, ~134% of the consolidated PAT.

On the shareholder base, foreign ownership touched an all-time high of 43.91% as on March 31, 2019 as compared to 8.65% at the time of IPO in December 2012. This includes 10.3% stake held by global private equity funds - KKR and CPPIB.

We continued our focus on the “Green Towers P7 program” which is based on seven ideas aimed at minimizing dependency on diesel and, thereby, carbon footprint reduction. This program promotes (a) improving energy efficiency of tower infrastructure equipment, (b) use of renewable energy resources, and (c) reduction of equipment load on tower infrastructure equipment.

We continued to evaluate our impact on environment and took steps to move towards being a Green company. We continued to improve our Green footprint and move towards more diesel free sites in the long-run. On a consolidated basis, over 45,000 towers or 49% of our portfolio are Green as of March 31, 2019.

In the last few years, we have planted the seeds for venturing into adjacent business opportunities which are emerging as the telecom industry

undergoes another transition. Both Infratel and our Joint Venture, Indus have successfully rolled out Smart City projects in this endeavor.

Last year, Bharti Infratel made a major announcement regarding an agreement to merge Indus with Bharti Infratel. Since then, the Scheme of arrangement has received approval from Competition Commission of India and No Objection from the SEBI through BSE Limited and National Stock Exchange of India Limited. Earlier this year, the meeting of shareholders and unsecured creditors of the Company was convened on February 2, 2019. The proposed resolution approving the Scheme of Arrangement was passed by the requisite majority at the respective meeting of shareholders and creditors. Approval from National Company Law Tribunal (NCLT) has also been obtained on May 31, 2019 and now the approval from Department of Telecommunications for FDI is awaited and we hope that the merger would be completed in the next few months.

To conclude, we believe with the backdrop of a forward looking National Digital Communications Policy which lays an impetus on sharing infrastructure, coupled with rapidly growing data demand and the global developments on 5G, the future potential for passive infrastructure companies like ours is very bright in the coming years. We are fully prepared to exploit this potential and meet all requirements of our customers for speedy rollouts.



Akhil Gupta
Chairman