

Equity Research Report

Indus Towers Ltd

Indus Towers remains a steady cash-flow generator in the telecom infrastructure space, with growth contingent on tenant expansion and 5G uptake.



About The Company

Indus Towers Limited (formerly known as Bharti Infratel Limited) was incorporated on November 30, 2006, with the objective of setting up, operating, and maintaining wireless communication towers. The company is primarily engaged in providing passive telecom infrastructure, including tower and related infrastructure sharing services, to wireless telecom operators across India.

Indus Towers is one of the largest telecom tower companies in India, both in terms of the number of towers and co-locations. As of March 31, 2024, the company owned and operated 219,736 towers with 368,588 co-locations across 18 telecom circles. It offers tower access on a shared basis under long-term contracts, primarily to all major wireless service providers in India.

In addition to its owned towers, Indus Towers has a consolidated portfolio of over 1,92,874 towers, which includes over 39,000 towers directly owned by the company and the remainder through its 42% equity stake in Indus Towers. This widespread presence covers all 22 telecom circles in the country.

The company's key customers include India's top three wireless telecom operators by revenue – Bharti Airtel, Vodafone, and Idea Cellular. As of March 31, 2024, Bharti Airtel Limited held a 47.95% stake, while the Vodafone Group Plc, through its indirect wholly-owned subsidiaries, held 21.05% in Indus Towers.

Highlights

- ✓ As of Q3 FY24, Indus Towers had a robust national presence with 211,775 towers and 360,679 co-locations, covering all 22 telecom circles in India. This marks a significant increase from 179,225 towers and 322,438 co-locations in FY21.
- ✓ The company derives 80–85% of its revenue (FY23) from its two major customers – Bharti Airtel and Vodafone Idea (VIL). Other clients include BSNL, MTNL, and Reliance Jio.
- ✓ To streamline the tower rollout process, Indus Towers has built an Institutional Acquisition (IA) platform, collaborating with various stakeholders including state governments, military units, municipalities, educational institutions, households, and private enterprises.
- ✓ Indus has established Micro Data Centers at 73 critical sites, functioning as mini–Mobile Switching Centers (MSCs). These enhance network performance through low-latency connections, shorter data transfer distances, and better management.
- ✓ The company has introduced new ground-based tower variants with different height and power configurations. It has also designed lighter towers and poles for easier deployment in space-limited areas. Additionally, it launched an integrated power solution combining solar and electrical equipment, reducing setup time and cost.
- ✓ In FY23, Indus renewed a significant portion of its co-location portfolio with its two largest customers, extending agreements for a 10-year period, ensuring long-term revenue stability.
- ✓ The company has projected a capex of ₹9,500 crore in FY24, primarily to support the nationwide 5G rollout, up from ₹4,121 crore in FY23.
- ✓ Indus is advancing its digital capabilities through AI-based chatbots, IoT-driven infrastructure monitoring, analytics tools, and drone-based inspections, enhancing operational efficiency and responsiveness.
- ✓ The company is actively reducing capital and operating costs by minimizing diesel use, expanding solar energy adoption, and piloting Aluminum-Air technology for clean energy generation. It is also optimizing operations across the value chain through system simplification and standardization.



Indus Towers Ltd

MANAGEMENT DISCUSSION AND ANALYSIS

Telecom Subscriber Base

- ✓ Total wireless subscribers in India: 1,154.1 million
- ✓ Urban subscribers: 627.9 million
- ✓ Rural subscribers: 526.2 million
- ✓ Market share by telecom service providers:
- ✓ Private players (like Bharti Airtel, Reliance Jio, Vodafone Idea) hold a 92% market share
- ✓ Public sector units (BSNL, MTNL) hold 8%

Infrastructure and Policy Developments

- ✓ Government initiatives are focused on sustainable telecom infrastructure.
- ✓ Green Open Access Policy to encourage clean energy is adopted by 24 states.
- ✓ Composite Billing Scheme (a single bill for multiple connections) is now live in 11 states (e.g., Rajasthan, MP).
- ✓ Right of Way Rules, 2024 have been made mandatory from January 2025 to ensure smoother telecom infrastructure deployment across states.

5G Network Update

- ✓ 40,000 new 5G base stations installed in FY25 → Total now close to 475,000.
- ✓ Growth rate of deployment is slowing, but long-term outlook remains strong.

As per Ericsson Mobility Report:

- ✓ Global 5G subscriptions: 2.3 billion (as of Dec 2024); expected to reach 6.3 billion by 2030
- ✓ In India, 5G subscribers expected to reach 970 million by 2030 (74% of mobile base)

As per TRAI:

- ✓ India’s 5G subscribers at end Q3 FY25: 243 million (grew by 25 million QoQ)
- ✓ 4G subscriptions declined by 23 million in the same period

Industry News & Policy Updates

Supreme Court dismissed telecom companies’ plea to re-calculate their AGR dues (Adjusted Gross Revenue), upholding the 2021 verdict.

In Union Budget 2024-25:

- ✓ Rs. 81,000 crore allocated to Department of Telecom for Digital India infrastructure.
- ✓ Import duties reduced on critical telecom equipment

Duty exemptions given on inputs for:

- ✓ Optical fiber cables
- ✓ Cell phone components
- ✓ Satellite launch vehicles

Company-Specific Updates

Bharti Airtel

- ✓ Prepaid spectrum dues worth ₹5,985 Cr in March 2025, lowering interest costs (8.65%)
- ✓ Total prepaid for FY25: ₹25,981 Cr
- ✓ Total prepaid till date: ₹66,665 Cr (avg interest rate: 9.74%)

Deal with SpaceX (Starlink):

- ✓ To offer Starlink high-speed satellite internet via Airtel retail and business channels
- ✓ Aims to expand connectivity in rural India
- ✓ 5G FWA (Fixed Wireless Access) deal with Nokia:
- ✓ To offer home broadband using Wi-Fi 6 routers and Nokia 5G outdoor gateways
- ✓ Enables serving two households per unit, cutting connection costs

Vodafone Idea

Spectrum dues converted into equity:

- ✓ Government will receive ₹36,950 Cr worth of shares
- ✓ Its stake will increase from 22.6% to ~49%
- ✓ Promoters will still retain operational control

Vodafone exits shareholding:

- ✓ Sold off the remaining ~3% stake in Dec 2024
- ✓ Applied for reclassification of all Vodafone promoter entities as Public shareholders

Reliance Jio

Signed deal with SpaceX (Starlink):

- ✓ To distribute Starlink internet services, once regulatory approvals are in place
- ✓ Will sell Starlink via Jio retail stores and online portals

Indus Towers Updates

Corporate Actions

- ✓ Acquired 12,606 telecom towers from Bharti Airtel in March 2025
- ✓ Proposed acquisition from Bharti Hexacom is currently on hold

Awards and Recognitions

- ✓ Gallup Exceptional Workplace Award 2025 – for 12th year in a row

ET Telecom Awards 2025:

- ✓ Won “Innovative Company of the Year”
- ✓ Won Jury Award for “Best Community Outreach Program” for its Digital Transformation Van

Nachiketa Award by IIA:

Won for Critical Thinking in Internal Audit

Financial Performance Summary – Q4 FY25

- ✓ Revenue: ₹77,271 mn
- ✓ EBITDA: ₹43,952 mn
- EBITDA Margin: 56.9% (strong profitability)
- ✓ Profit After Tax (PAT): ₹17,791 mn
- ✓ Operating Free Cash Flow: ₹12,574 mn
- ✓ Free Cash Flow (FCF): ₹38,726 mn (healthy liquidity)
- ✓ AFFO: ₹29,622 mn (1.1% YoY growth)
- ✓ Capex: ₹22,444 mn (Bharti Airtel ke tower asset acquisitions isme nahi hain)
- ✓ ROCE: 29.1% → Efficient capital usage

Tower Operations – As of March 31, 2025

- ✓ Total Macro Towers: 2,49,305
- ✓ Total Macro Co-locations: 4,05,435
- ✓ Lean Co-locations: 13,878
- ✓ Net Co-location Additions: +18,616
- ✓ Exits: 375
- ✓ Average Sharing Factor: 1.64
- Higher sharing = better revenue per tower



Indus Towers Ltd

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Expenses Breakdown

- ✓ Total Expenses: ₹33,319 crore
- ✓ → 43.1% of revenue
- ✓ Power & Fuel: ₹28,266 crore (biggest cost head)
- ✓ Repair & Maintenance: ₹3,374 crore
- ✓ Employee Cost: ₹2,203 crore
- ✓ Other Expenses: ₹(562) crore
- ✓ (Negative kyunki ₹2,264 crore doubtful receivables reverse kiye gaye)

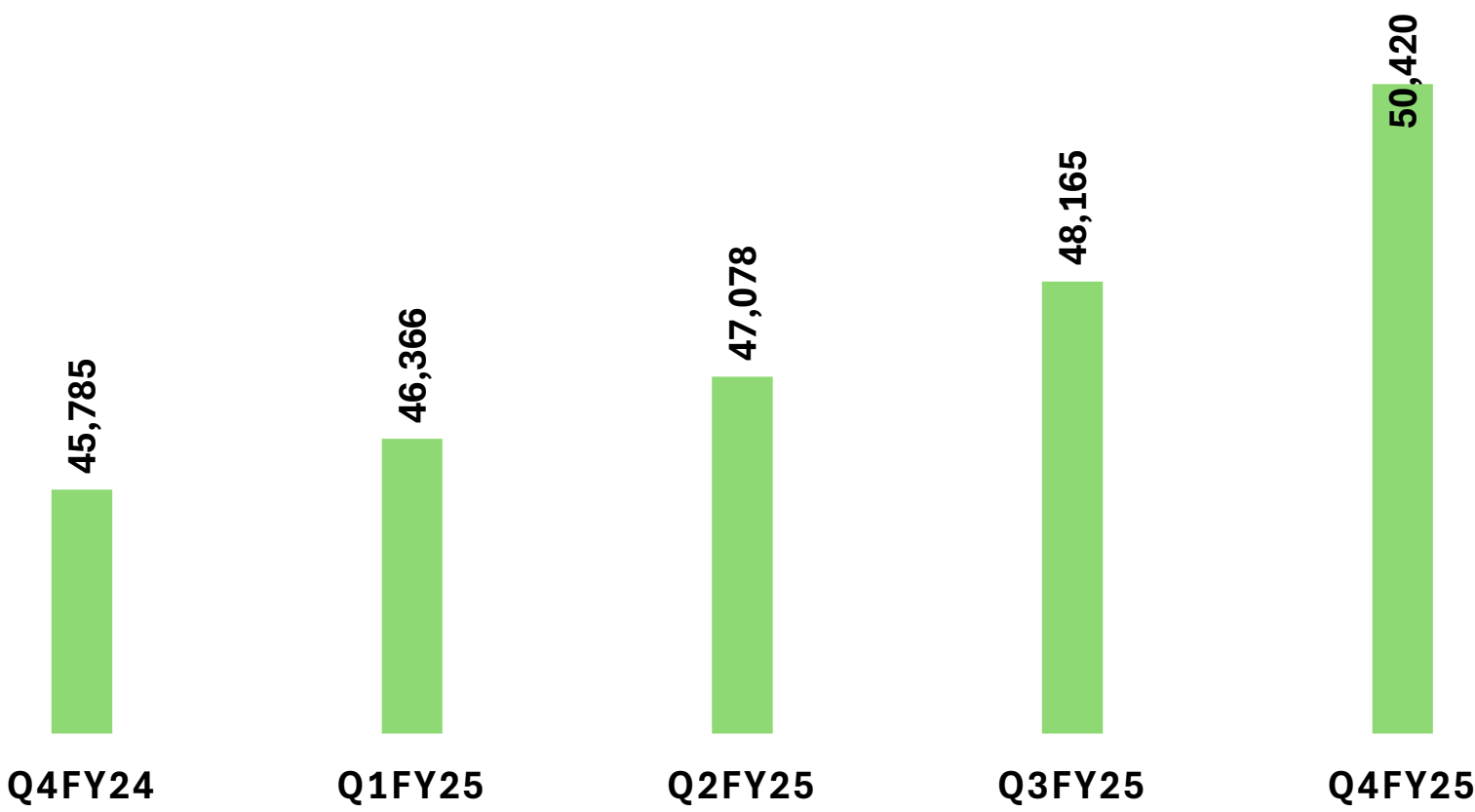
Profitability Details

- ✓ Depreciation & Amortization: ₹16,930 crore
- ✓ EBIT (Operating Profit): ₹26,310 crore
- ✓ Finance Cost: ₹3,597 crore → 183.9% YoY jump (Watch out!)
- ✓ Profit Before Tax (PBT): ₹23,630 crore
- ✓ Tax Expense: ₹5,839 crore

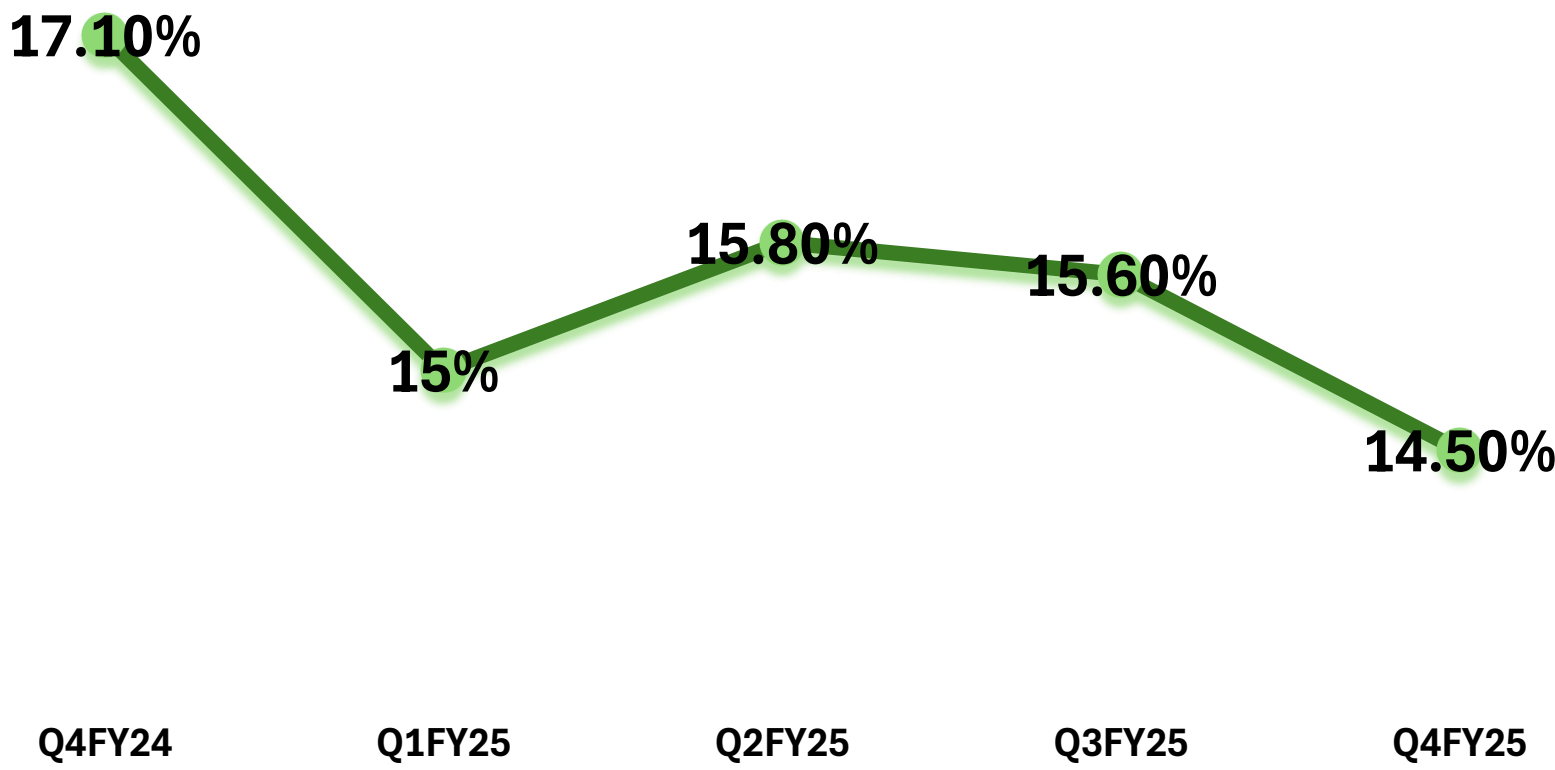
Key Performance Metrics – The “3 Line Graph” Logic

- Total Sharing Revenue**
→ Actual core revenue from tower sharing (energy reimbursements excluded)
- Opex Productivity**
= (Operating Expenses – Power & Fuel – Doubtful Receivables) ÷ Sharing Revenue
→ Measures non-energy operational efficiency
- Capex Productivity**
= (Annualized Sharing Revenue) ÷ (Avg Gross Investments in Assets)
→ Measures ROI on invested capital

Total Sharing Revenue

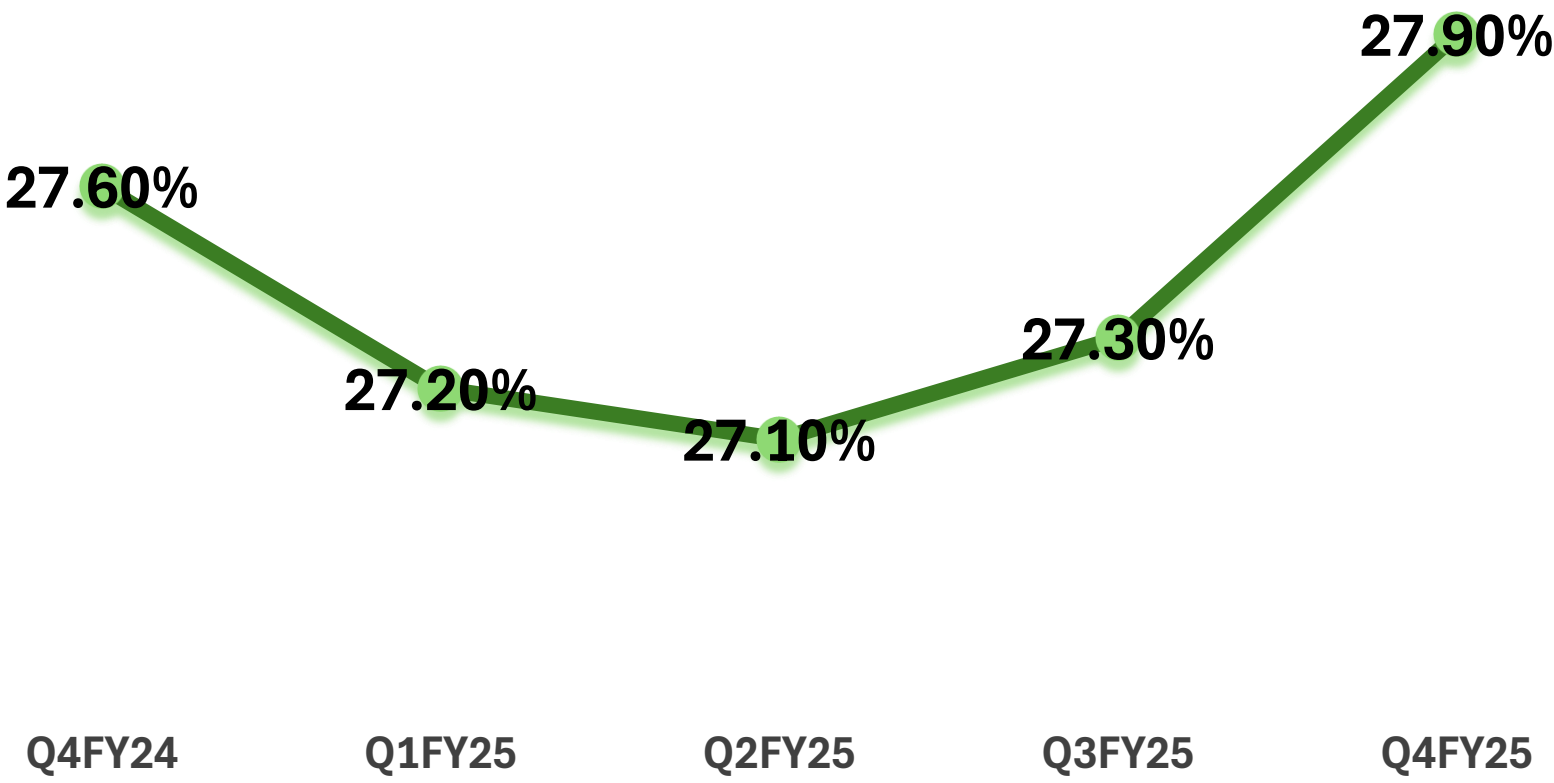


Opex Productivity



Source : Company Website

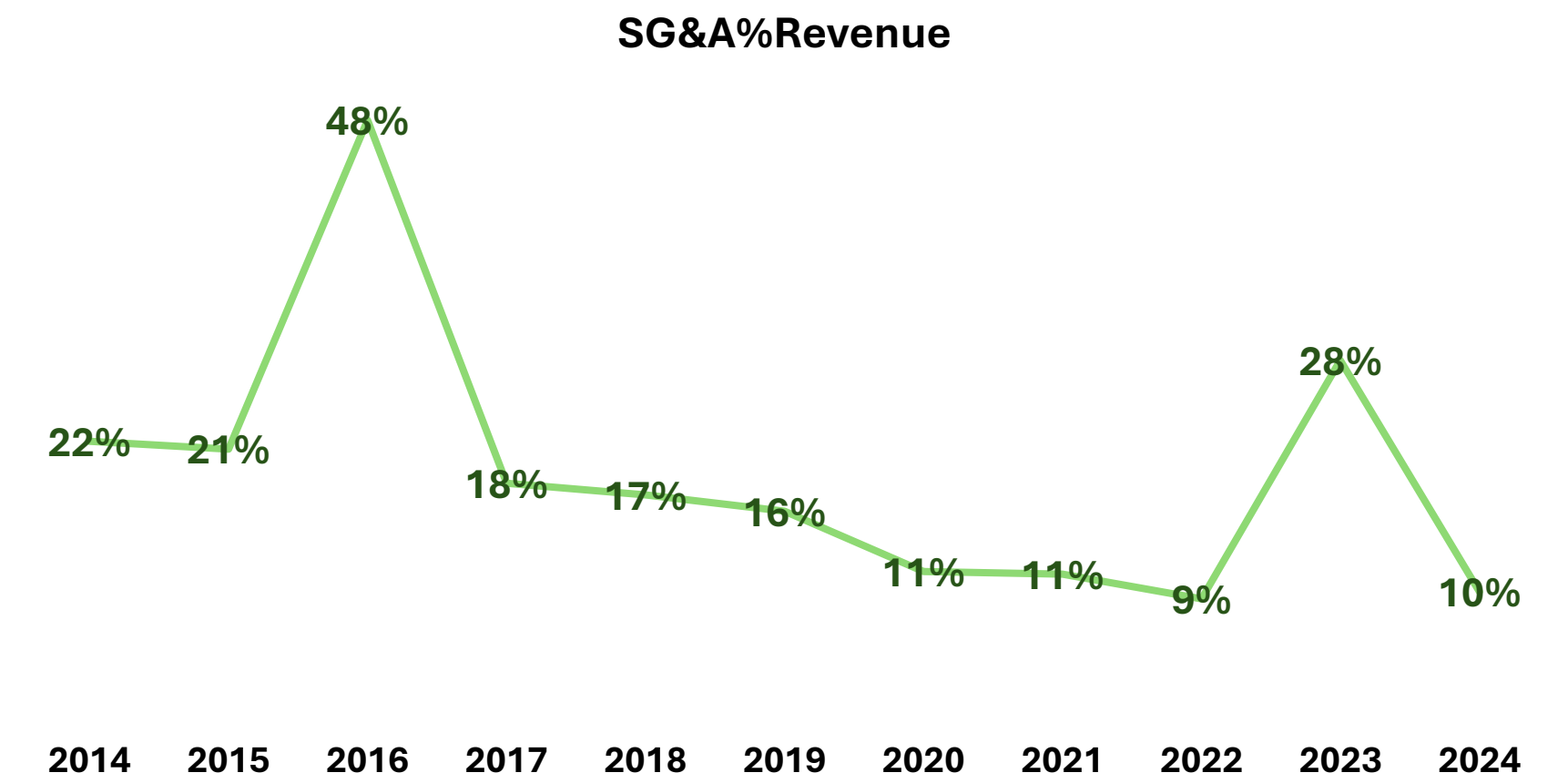
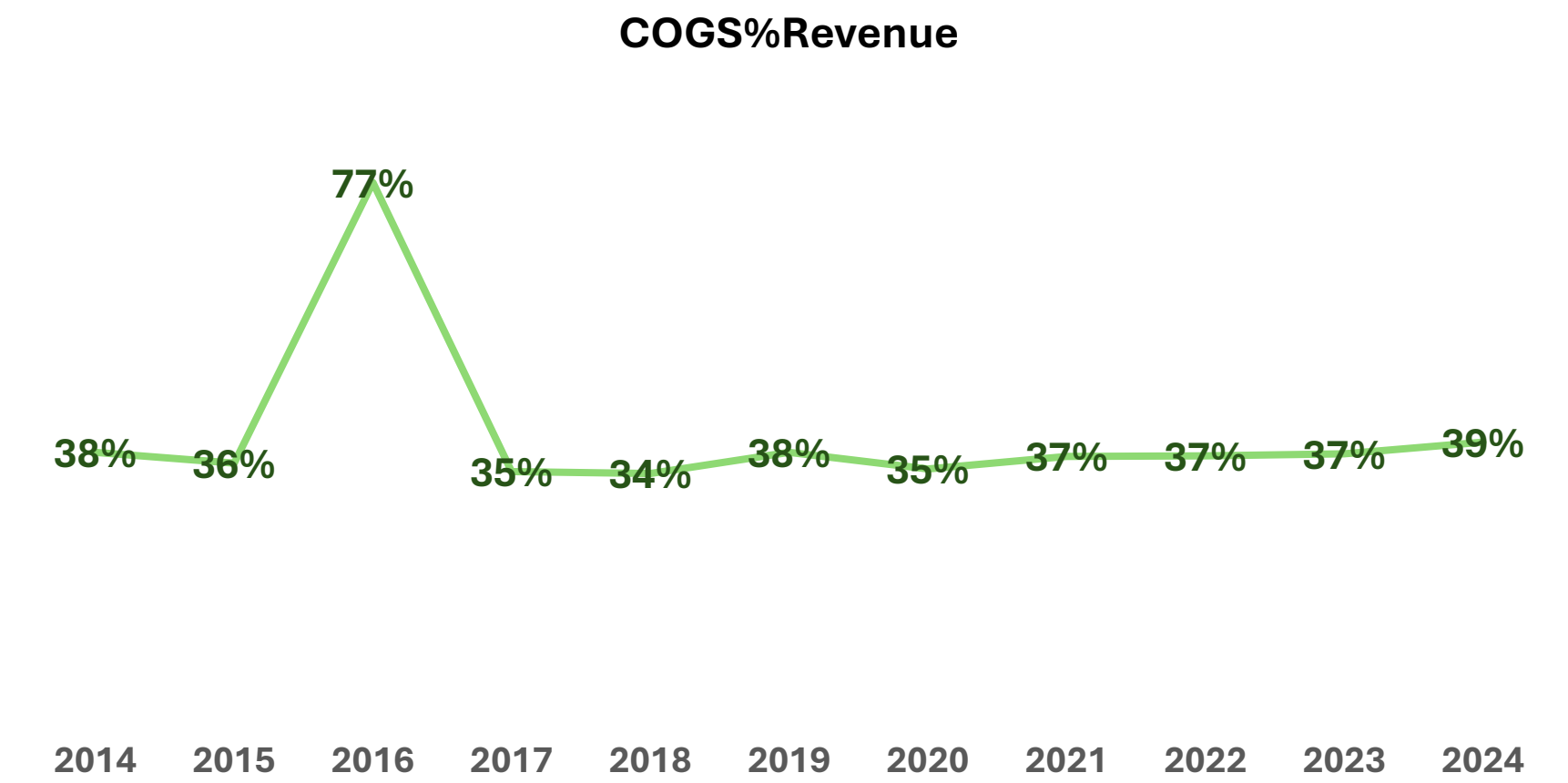
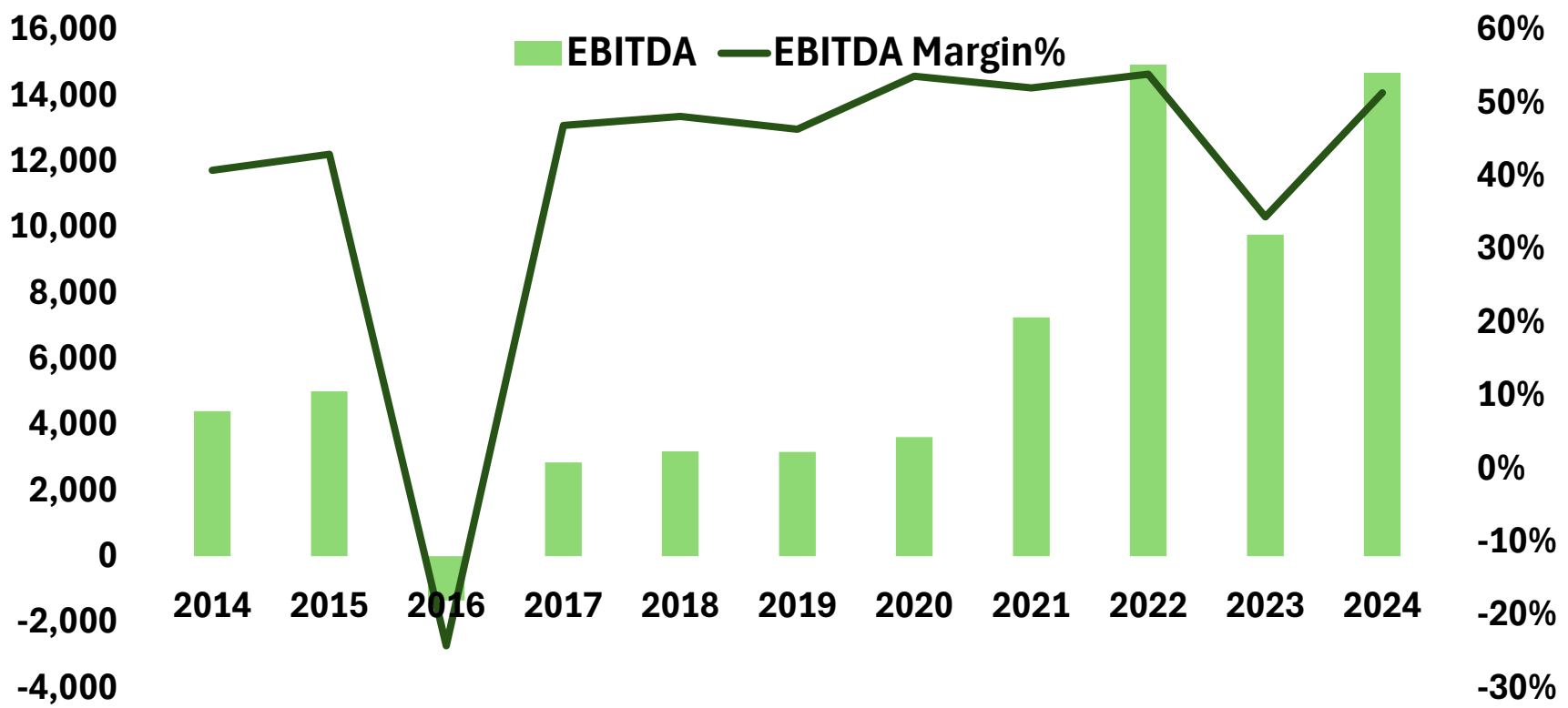
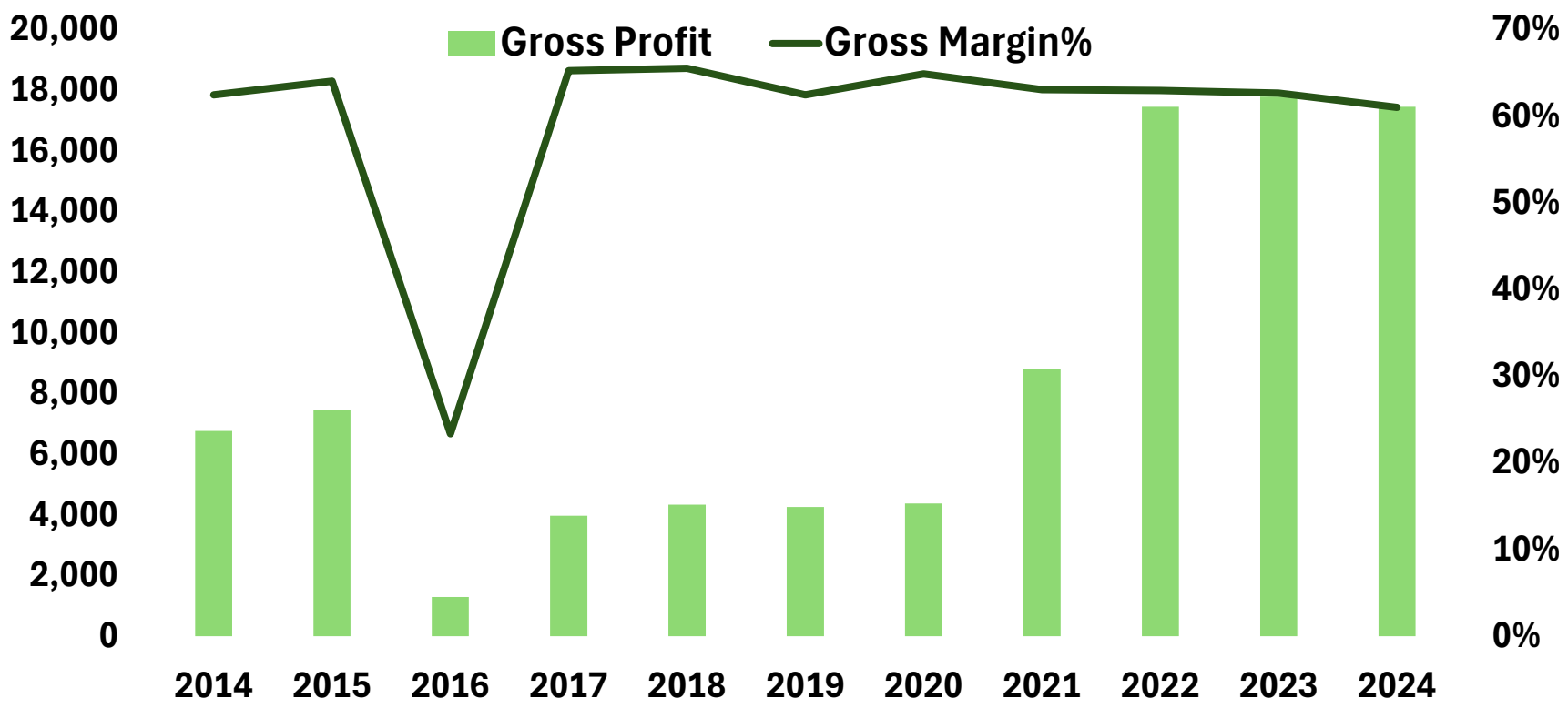
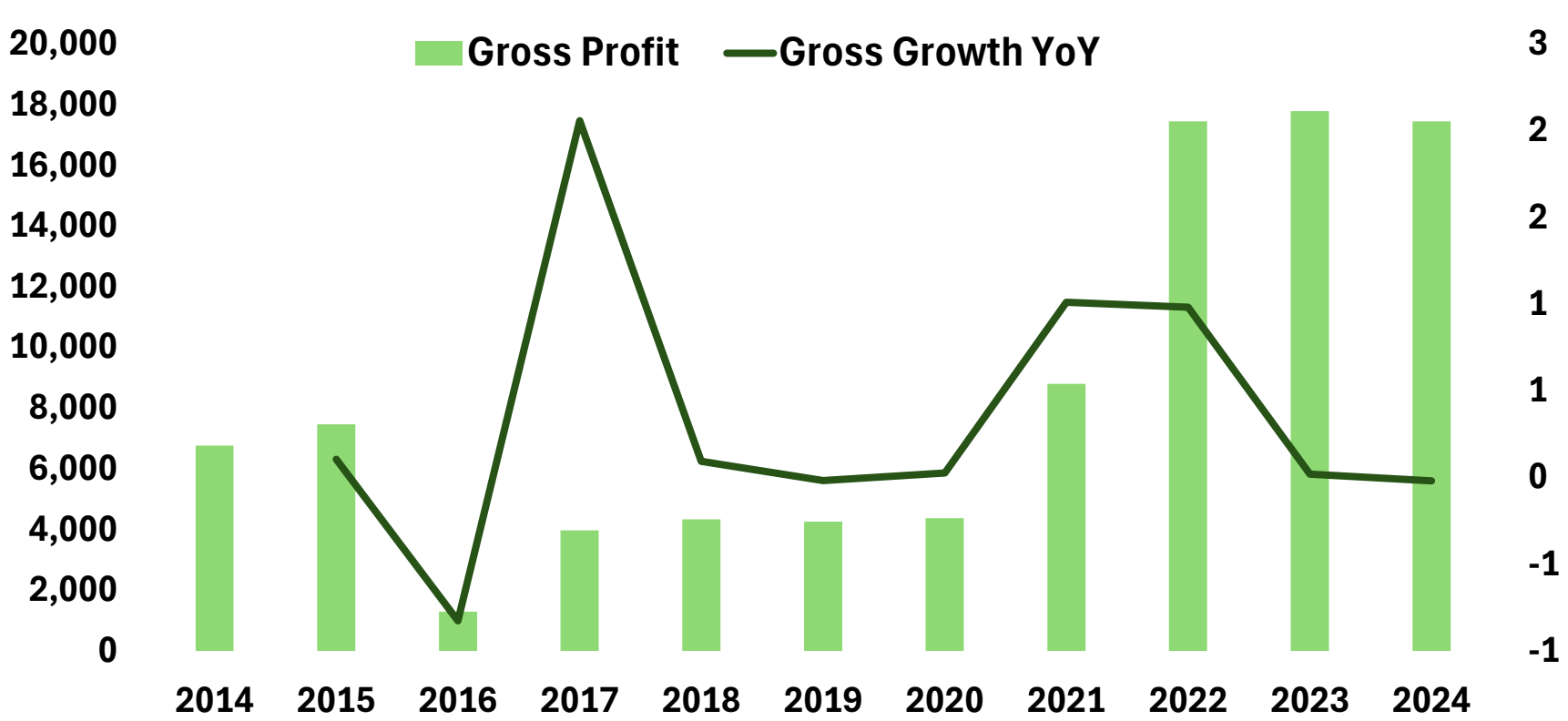
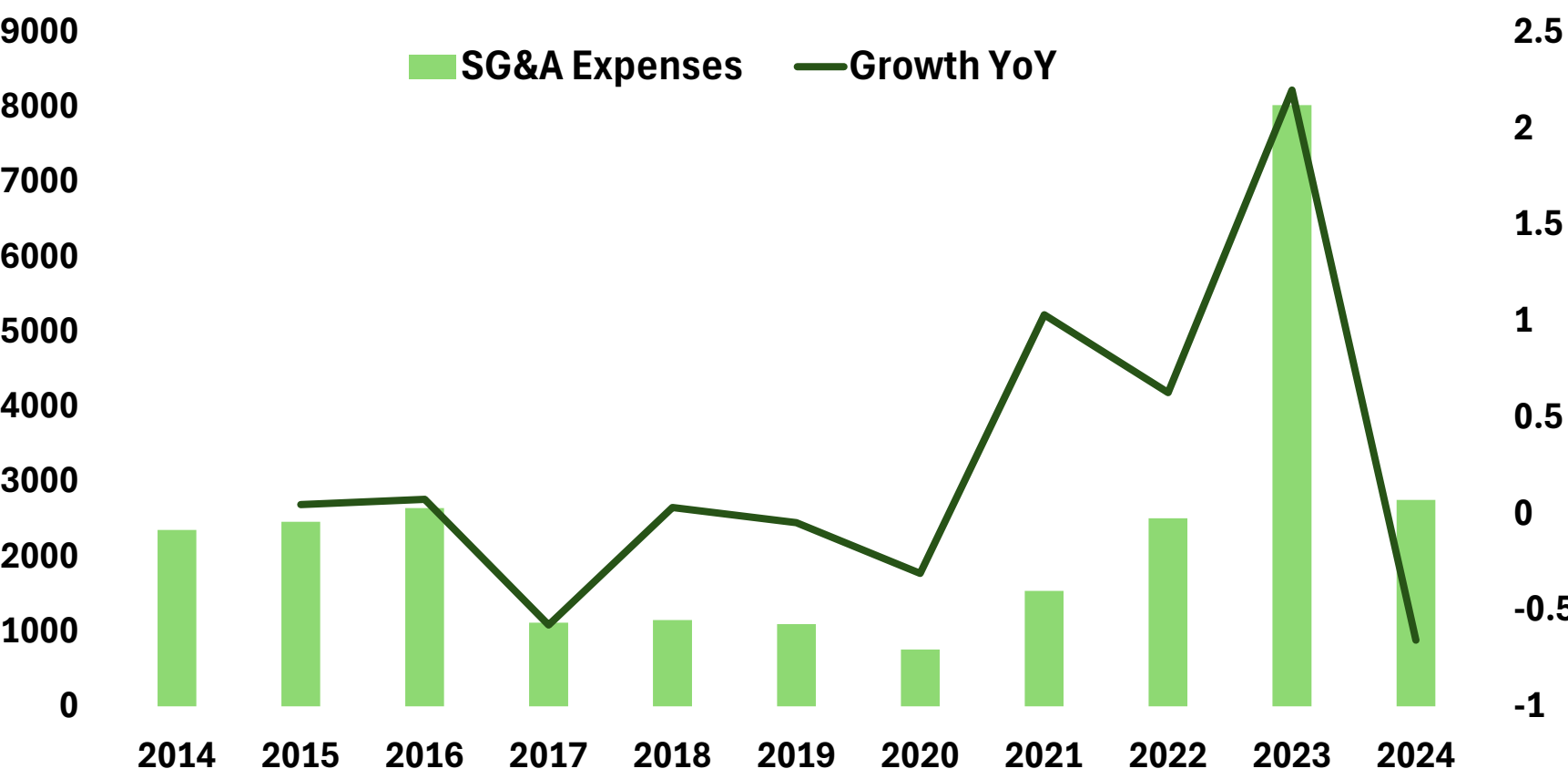
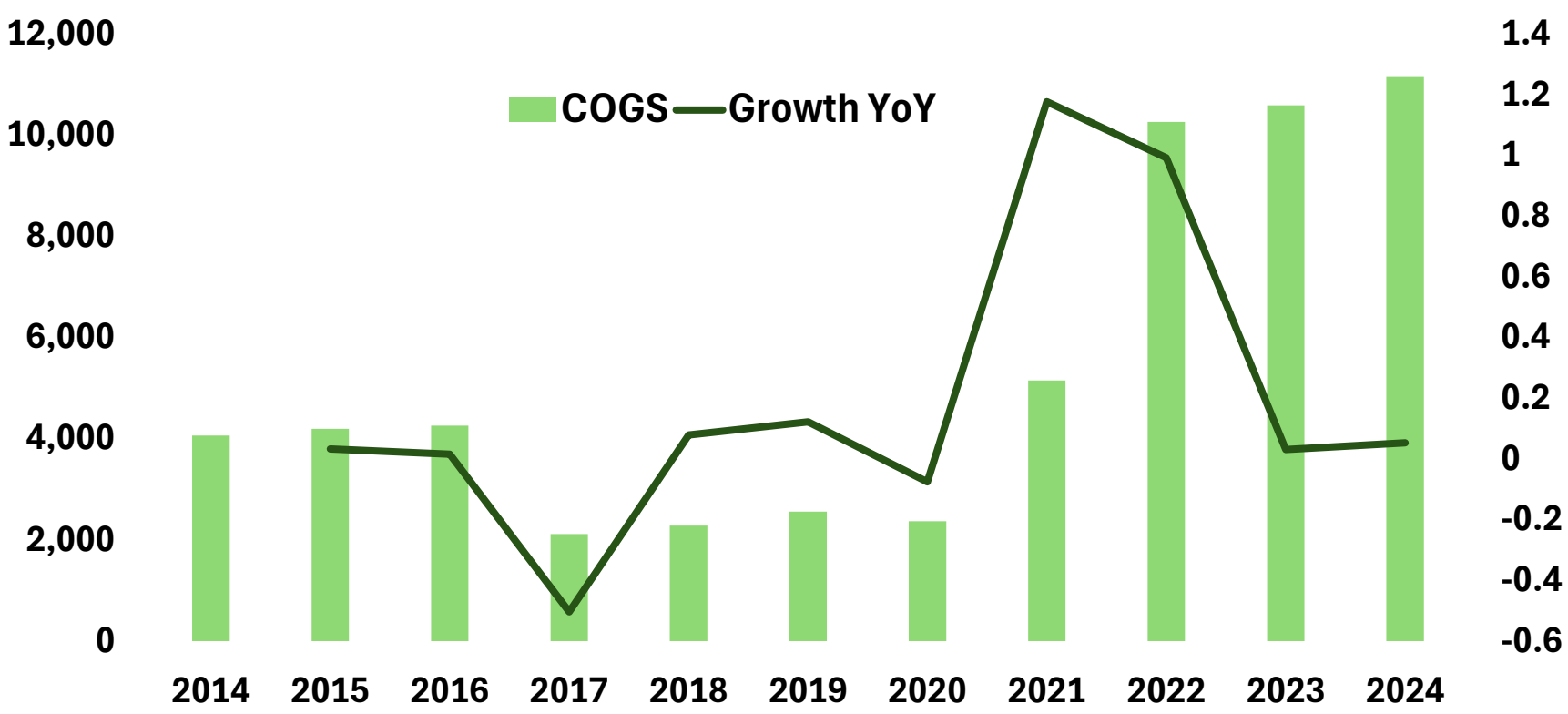
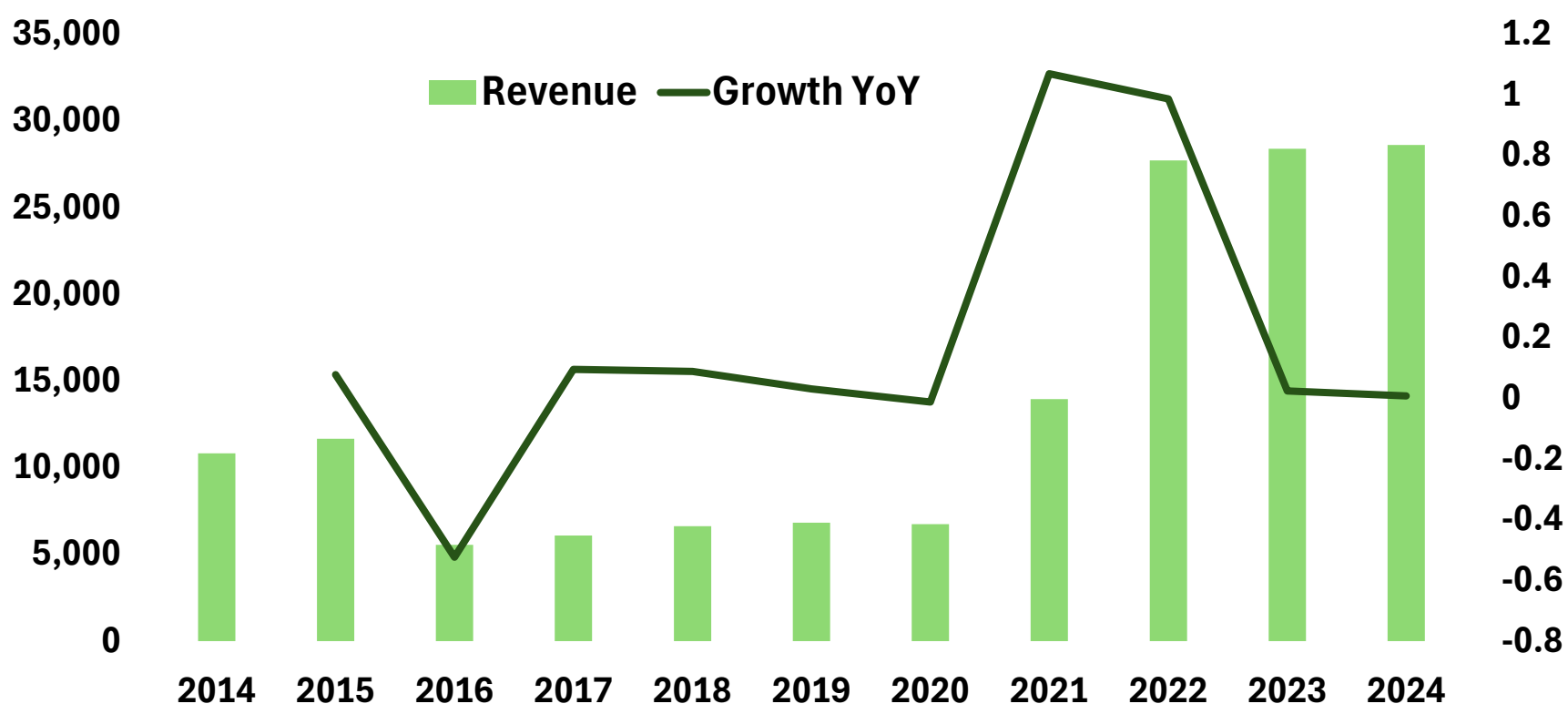
Capex Productivity





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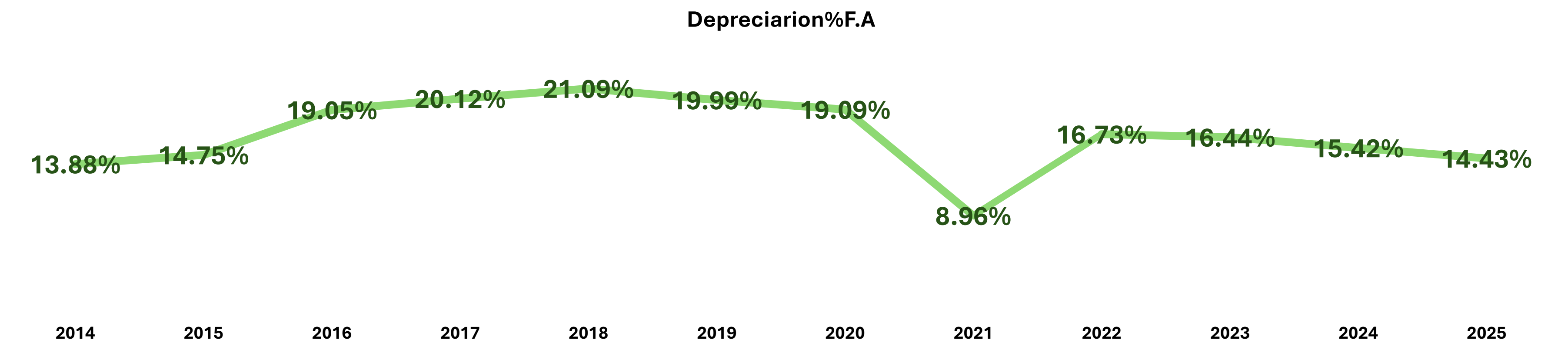
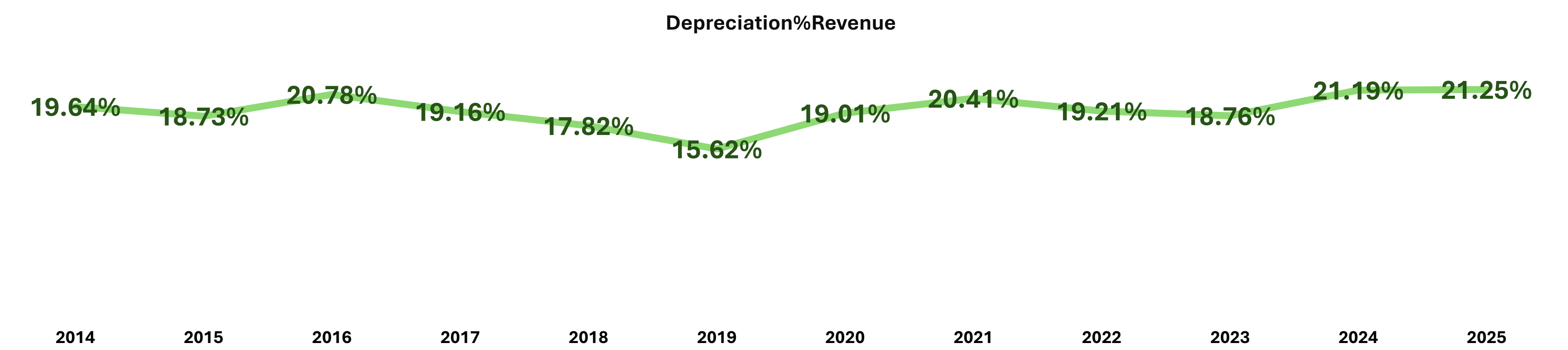
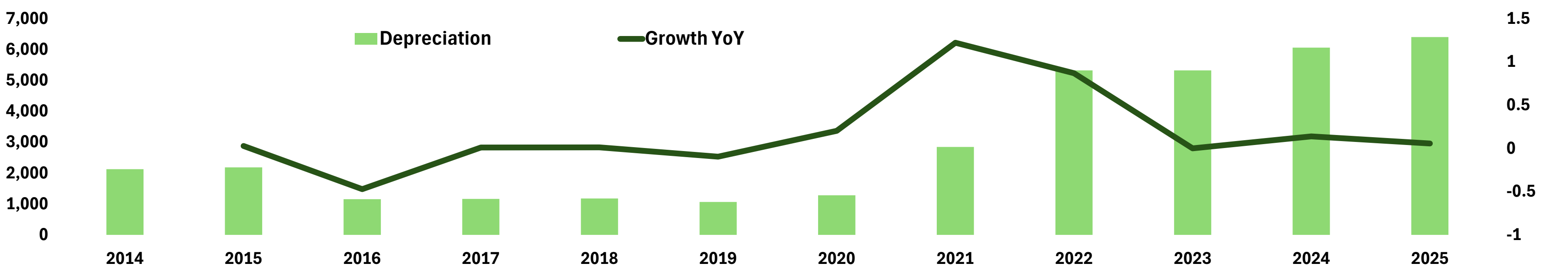
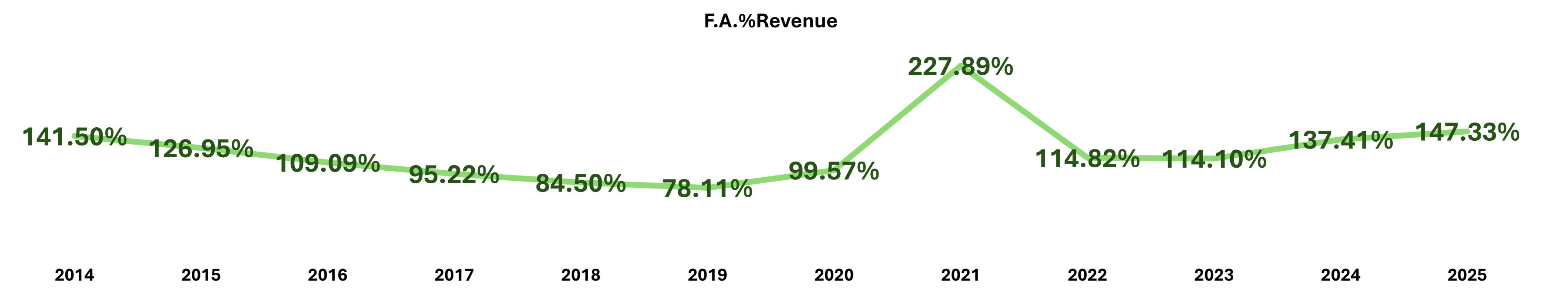
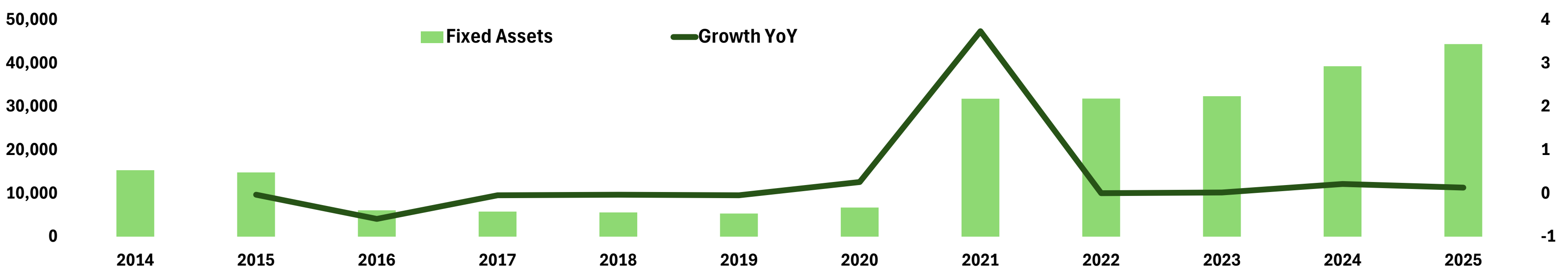
FINANCIAL ANALYSIS





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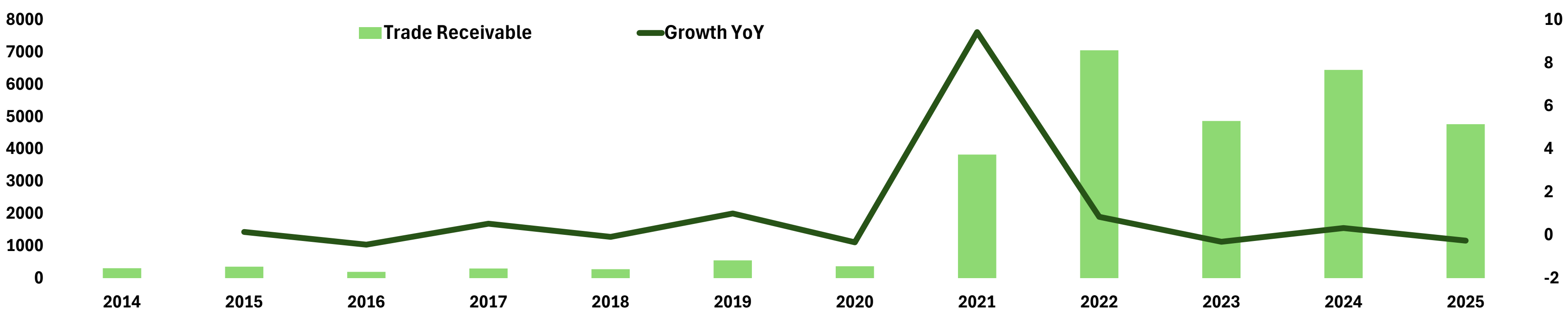
DEPRECIATION ANALYSIS



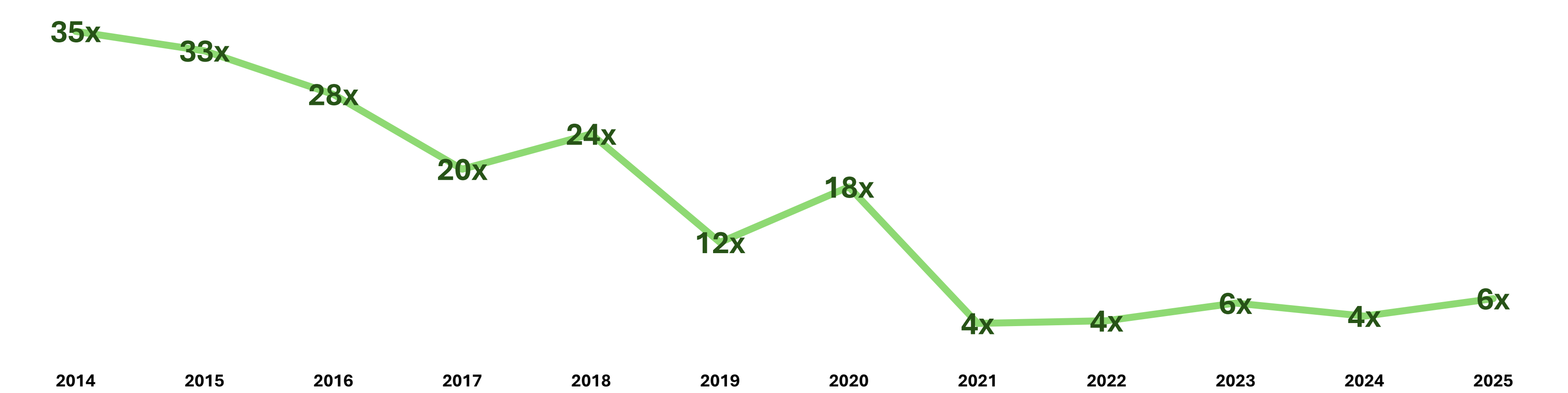


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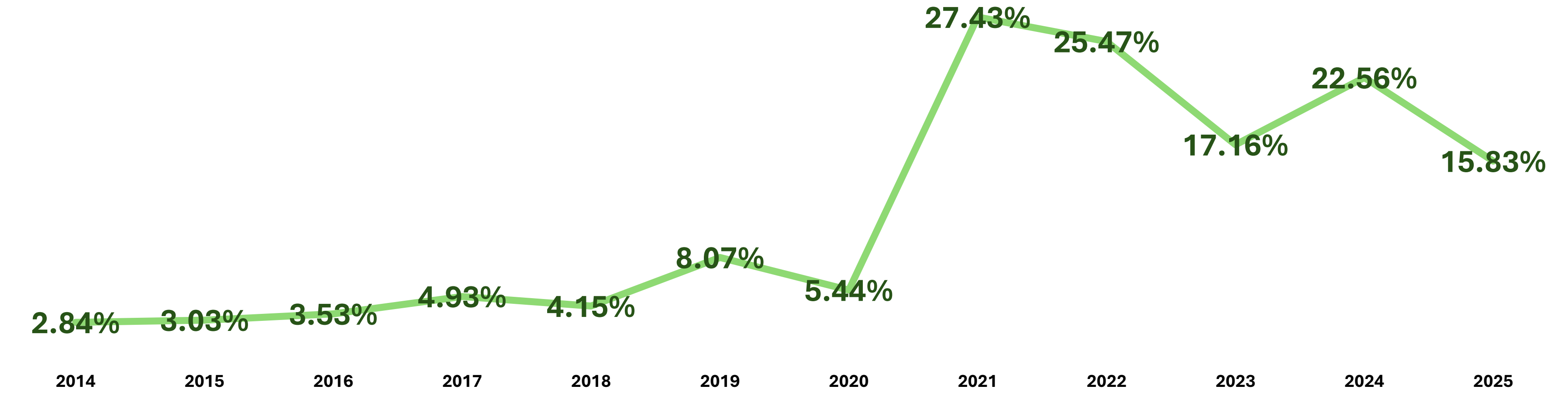
TRADE RECEIVABLE ANALYSIS



Receivable Turnover Ratio



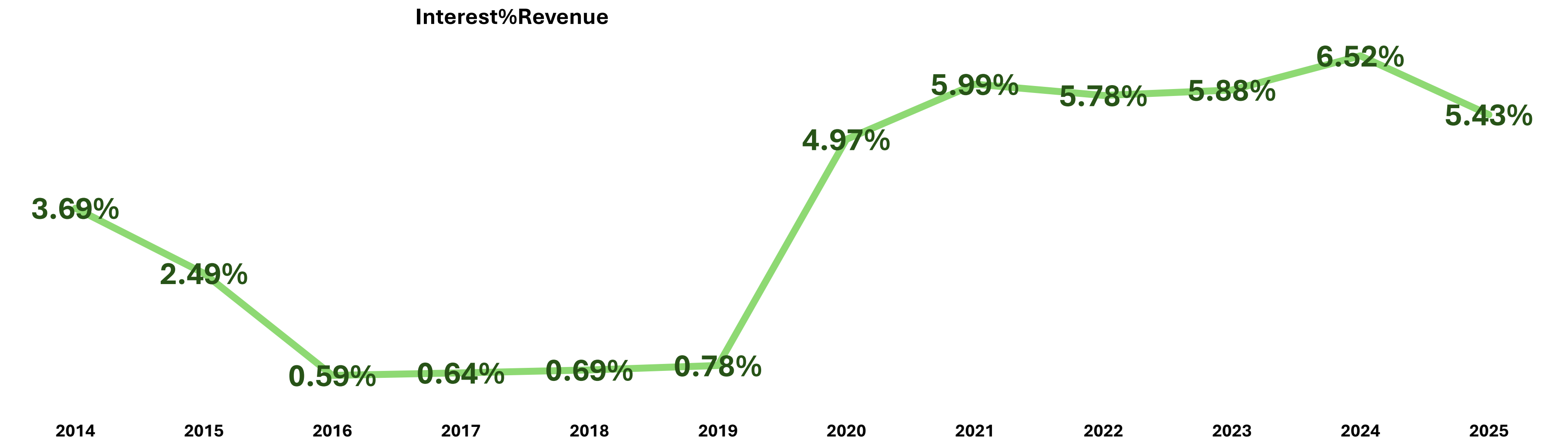
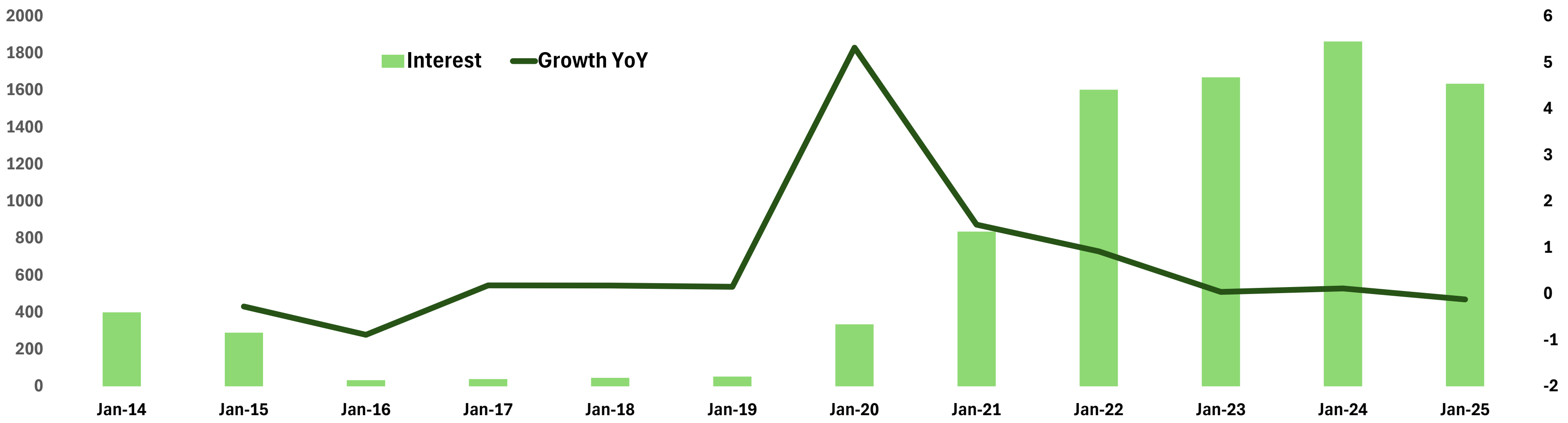
Receivable%Revenue





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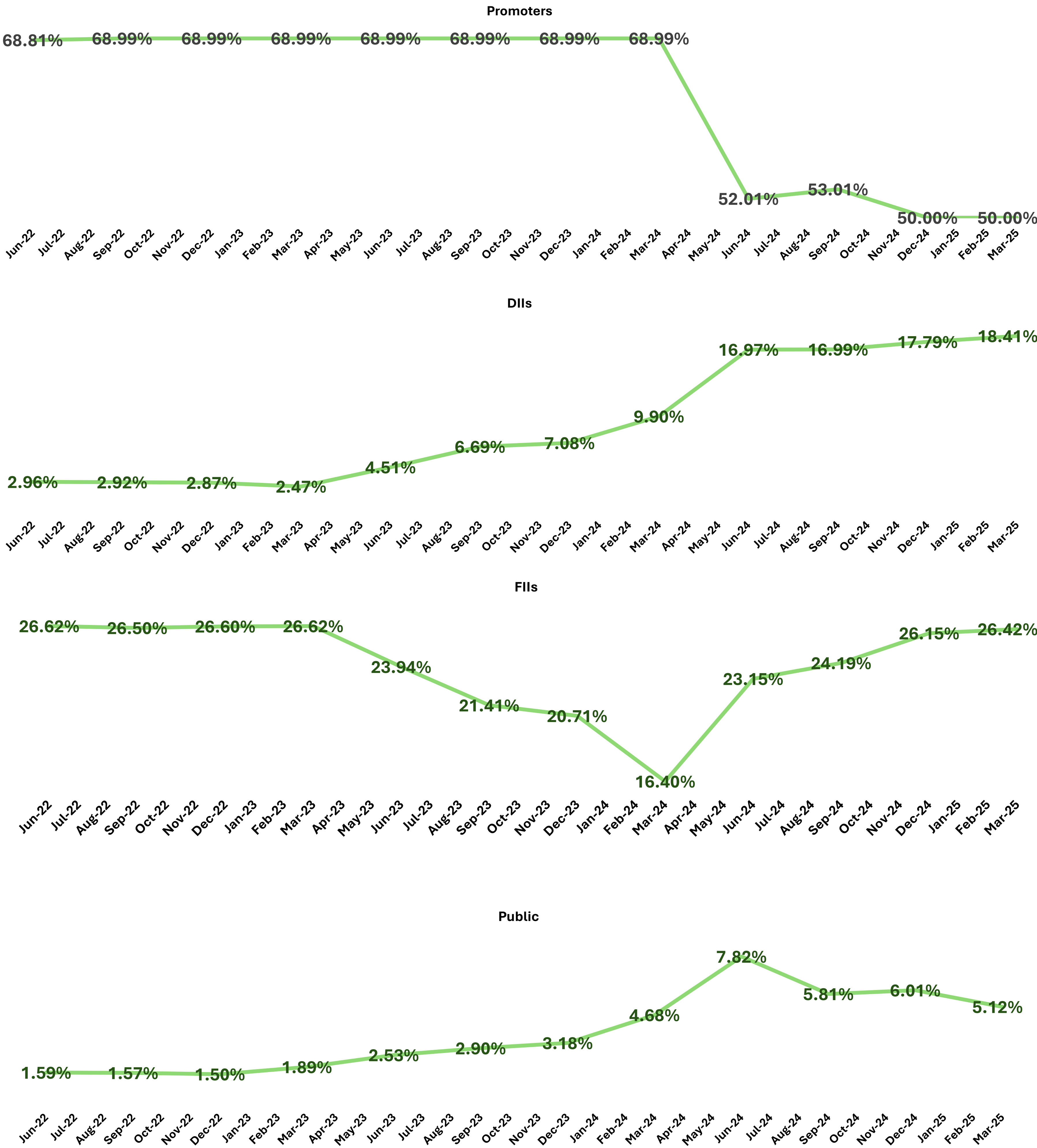
INTEREST ANALYSIS





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SHAREHOLDING PATTERN ANALYSIS





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TECHNICAL ANALYSIS



Technical Analysis: Bullish Structure on Monthly Chart

Indus Towers Ltd is forming a bullish pattern on its monthly chart, which appears to be a Head and Shoulders pattern in the making. If the stock gives a positive breakout from this formation, it may indicate strong upside potential in the medium to long term.

An important technical observation is the June 2024 bullish candle, which was accompanied by extraordinarily high volume—the highest in the stock’s trading history. Notably, when the price corrected in subsequent months, it took support near the low of that June 2024 candle and bounced back, confirming strong buying interest at that level.

Fundamental Strength: Capex & Margin Expansion

The company is currently undergoing significant capital expenditure (capex), which indicates long-term growth intentions. For many years, the EBITDA margin remained constant, but over the last three years, it has shown a consistent upward trend — a positive sign that suggests operational efficiency and better revenue realization.

This margin expansion is also supported by a reduction in expenses, reflecting improved cost management and stronger profitability.

Borrowings Rising, But With Justification

The company’s borrowings have been rising steadily since March 2020. From ₹4,627 crore in FY20, the total borrowing has increased to ₹21,156 crore by March 2025. However, this rise in debt is primarily due to the capex cycle and infrastructure investments, which are critical for a tower company.

It is worth noting that the company also has adequate reserves, which adds a layer of financial comfort despite the increasing leverage.

Return Ratios Holding Strong

Both the Return on Equity (ROE) and Return on Capital Employed (ROCE) are performing well and remain at healthy levels, indicating that the company is utilizing shareholders’ capital and overall capital efficiently.

Concern: Promoter Stake Continues to Decline

One notable concern is the continuous decline in promoter holding. From 68.81% in June 2022, it has reduced to 50% by March 2025. While this could raise questions about long-term promoter commitment, it is somewhat balanced by the fact that Foreign Institutional Investors (FIIs) and Domestic Institutional Investors (DIIs) have been increasing their stakes in the company during this period — reflecting institutional confidence.



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