

Price: 358

Recommendation: Buy

Industry: Telecom - Infrastructure

Sector: Telecommunication

Report Date: 03-Apr-2025

Indus Towers Limited has shown strong performance in Q3 2024, with significant tower and tenancy growth. The company maintains a dominant market share, reflecting customer trust. Efforts in challenging areas like Leh and Ladakh enhance digital inclusion. Indus Towers focuses on operational efficiency, reducing diesel use by 8% and transitioning to Li-ion batteries. Future growth is driven by network expansion and renewable energy initiatives, with a strategic focus on sustainability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	29589 Cr	Operating Profit(Year)	20392 Cr	Operating Profit Margin	68.9 %
Previous Year	28382 Cr	Operating Profit(Quarter)	6954 Cr	EBITDA Margin	53.27 %
Current Quarter	7547 Cr	PAT (Year)	5829 Cr	Net Profit Margin	20.4 %
Previous Quarter	7465 Cr	PAT (Quarter)	3997 Cr	EPS	37.1
Revenue (QYoY)	7199 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	9.72	Sales Growth	5.07 %	Sales Growth	1.1 %
PEG Ratio	0.53	PAT Growth	177.18 %	Sales Growth QYoY	4.83 %
EV/EBITDA	5.68	EPS Growth	65.63 %	PAT Growth	79.88 %
P/B	3.36	Dividend Yield	0.00	PAT Growth QYoY	159.38 %
Capital Allocation		Holdings		Leverage	
RoE	24.2 %	Promoter	50.0 %	Debt/Equity	0.75
RoA	11.4 %	FII	26.2 %	Debt	21358 Cr
RoCE	22.1 %	DII	17.8 %	Market Cap	96465 Cr
RoIC	16.1 %	Public	6.01 %	Enterprise value	117798 Cr
		No of Shares	269 Cr	Cash Equivalents	25.0 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Indus Towers Limited has demonstrated a robust performance in the third quarter ending December 31, 2024, with significant tower and tenancy additions. The company has maintained a dominant share in its major customers' rollouts, reflecting trust in its capabilities. A major customer's network expansion has allowed Indus Towers to secure a substantial share in rollouts, aiding tenancy additions. The company has also successfully recovered a substantial amount of past dues, supported by the monetization of a secondary pledge on shares held by Vodafone Plc. The company's efforts in installing towers in geographically challenging locations like Leh, Ladakh, and Arunachal Pradesh have been commendable, contributing to digital inclusion in these areas.

Indus Towers is actively pursuing new initiatives and business strategies to enhance its operational efficiency and sustainability. The company has achieved the highest quarterly deployment in its In-Building Solutions (IBS) portfolio, indicating strong traction and a focus on strengthening this segment. Cost efficiency remains a priority, with ongoing efforts to optimize operating and capital expenses. The company has reduced diesel consumption by 8% year-on-year through electrification of non-electrified sites and deployment of energy storage solutions. Additionally, the transition to Li-ion batteries and lighter tower variants is expected to provide both operating and cost efficiencies.

Looking ahead, Indus Towers is well-positioned for future growth and scaling. The ongoing network expansion by major customers is anticipated to be a key growth driver. The company is also exploring opportunities in the EV charging infrastructure, although this is at an early stage. The strategic focus on renewable energy, with over 28,000 solar sites and a power purchase agreement for a 130 MW solar plant, underscores its commitment to sustainability. The company's ability to maintain high network uptime, even during natural calamities, further strengthens its competitive position.

While the company has delivered a strong financial performance, there are areas for improvement. The energy margins remain a challenge, although efforts to increase the share of renewable energy are underway. The company's focus on optimizing rental costs and improving technician productivity through digital interventions is expected to yield further efficiencies. The diversification into EV infrastructure presents a new avenue for growth, but careful management and strategic planning will be essential to ensure it complements the core tower business. Overall, Indus Towers is on a promising trajectory, with a clear focus on sustainable growth and value creation for stakeholders.

INDUSTOWER Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Indus Towers	96465.29	9.72	24.18%	1.10%	4.84%	79.85%	159.31%
Kore Digital	375.39	24.85	28.54%	-26.97%	-44.43%	37.50%	-25.96%
GTL Infra.	1959.80			0.62%	0.28%	1.82%	-7.99%
Sar Televenture	1379.02		37.44%	25.28%	128.28%	9.36%	193.38%
Suyog Telematics	1001.05	14.30	23.77%	2.18%	16.92%	-15.24%	-10.10%

Aspect	Commentary
Revenue	The company experienced a modest revenue increase, with current year sales at 29589 Cr, up from 28382 Cr the previous year. Quarterly sales also rose slightly, indicating steady growth. This consistent performance suggests a stable market position and effective sales strategies.
Profit & Loss	Operating profit for the year reached 20392 Cr, with a quarterly figure of 6954 Cr. The PAT for the year was 5829 Cr, showing strong profitability. The quarterly PAT of 3997 Cr highlights effective cost management and operational efficiency, contributing to robust financial health.
Profitability Matrix	The company boasts a high operating profit margin of 68.9% and an EBITDA margin of 53.27%, reflecting strong operational efficiency. A net profit margin of 20.4% and EPS of 37.1 indicate solid profitability and shareholder value, underscoring financial strength.
Valuation Matrix	With a trailing P/E of 9.72 and a PEG ratio of 0.53, the company appears undervalued relative to its growth potential. An EV/EBITDA of 5.68 and P/B of 3.36 suggest a reasonable valuation, making it an attractive investment opportunity in the current market.
Growth (YoY)	Year-over-year growth is impressive, with sales up by 5.07% and PAT surging by 177.18%. EPS growth of 65.63% further underscores the company's strong performance, driven by strategic initiatives and market expansion efforts, enhancing investor confidence.
Growth (QoQ)	Quarter-over-quarter growth shows a 1.1% increase in sales and a significant 79.88% rise in PAT. The QYoY sales growth of 4.83% and PAT growth of 159.38% highlight the company's ability to capitalize on market opportunities and drive substantial earnings growth.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 24.2%, RoA of 11.4%, and RoCE of 22.1%. A RoIC of 16.1% indicates effective use of invested capital, supporting sustainable growth and value creation for shareholders.
Holdings	Promoter holding stands at 50%, with FII at 26.2% and DII at 17.8%. Public holding is 6.01%, reflecting a balanced ownership structure. The number of shares at 269 Cr suggests a stable shareholder base, supporting long-term strategic objectives.
Leverage	A debt/equity ratio of 0.75 indicates moderate leverage, with total debt at 21358 Cr. The market cap of 96465 Cr and enterprise value of 117798 Cr reflect strong market positioning. Cash equivalents of 25 Cr provide liquidity, supporting financial flexibility.

Analyst viewpoint: Indus Towers Limited showcases a compelling growth trajectory, underlined by impressive quarter-on-quarter metrics and a robust market position. Demonstrating a PAT growth of 79.88% QoQ, the company's financial health is reinforced by strategic capital allocation evident in a 24.2% RoE. With a market capitalization of Rs. 96,465 Crore and trading at a P/E of 9.72, it suggests an appealing valuation for investors. The company's focus on sustainable growth is reflected in its initiatives to reduce diesel consumption by 8% and a transition to renewable energy, further electrifying its infrastructure to enhance operational efficiency. The strategic expansion into geographies with challenging terrains indicates a prudent growth strategy, reinforced by its substantial role in network rollouts of major customers.

Furthermore, when compared to its peers, Indus Towers has outperformed competitors like GTL Infra and Kore Digital in QoQ growth metrics, maintaining superior sales and profitability. Its continued investment in renewable energy, with over 28,000 solar sites and a strategic power purchase agreement, fortifies its commitment to sustainability. However, it is essential to note that while exploring EV infrastructure presents new growth avenues, the energy margin challenges remain a consideration. Overall, Indus Towers is positioned strongly for short to mid-term growth, backed by its efficient capital use and innovative expansion strategies.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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