

Indus Towers (INDUSTOW) - BUY

Company Update

Current Market Price (CMP) Rs.359	Fair Value (FV) Rs.400
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Rationale:

- African foray: Unlocking opportunities.
- Africa offers high growth opportunity, both organic & inorganic, given significant network/subscriber under-penetration & fragmented market unlike India.
- High tenancy with Airtel Africa (AAF) being the anchor tenant and partial linkage to US\$ in rental terms to hedge currency risk would make tower economics favorable.
- We expect investments in initial years to be measured, limited (<10% FCFF), & not deter dividend payouts.
- Maintain BUY with a FV of Rs400.

👍 Positives:

- We believe low network penetration & data usage in Africa offer a long growth runway for the telecom industry.
- Monthly data usage per sub at 5 GB is substantially below global averages (~19 GB).
- The internet usage gap, at 58%, is the highest across regions.
- Mobile user/smartphone penetration, at 46%/54%, lags global norms (71%/80%).
- Airtel Africa is the second-largest telecom player in Nigeria with 34% subs market share.

👎 Negatives:

- The tower capex cost in Africa is much higher at ~US\$90k (versus ~US\$35k in India).
- Sub-Saharan Africa: Smartphone affordability remains a challenge.
- Top-3 players own 90% of the towers in Nigeria, with a highly fragmented tail.

(GB: Giga Bytes, FCFF: Free Cash Flow to Firm, K: Thousand)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	Not Available or Not Applicable. The information is not available for display or is not applicable
NM	–	Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan Head of Research shrikant.chouhan@kotak.com +91 22 6218 5408	Arun Agarwal Auto/Auto Ancillary, Building Material Cement, Consumer Durable arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal, CFA Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439
Rini Mehta Research Associate rini.mehta@kotak.com +91 22 6218 6433	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427
Pankaj Kumar Construction, Capital Goods & Midcaps pankajr.kumar@kotak.com +91 22 6218 6434	Amarjeet Maurya Internet Software & Services amarjeet.maurya@kotak.com +91 22 6218 6427	Veer Trivedi BFSI veer.trivedi@kotak.com +91 22 6218 6432

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Sayed Haider sayed.haider@kotak.com +91 22 62185458
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DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 66041701	Prashanth Lalu prashanth.lalu@kotak.com +91 80 61563691	Prasenjit Biswas, CMT, CFTE prasenjit.biswas@kotak.com +91 33 6638 8331	Karan Kulkarni karan.kulkarni@kotak.com +91 20 66203350
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Compliance Officer Details: Mr. Hiren Thakkar. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

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