Bharti Infratel Limited

November 11, 2016

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***Ref: Bharti Infratel Limited (534816 / INFRATEL)***

***Sub: Investor Presentation***

Dear Sir/ Madam,

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find enclosed the presentation made by the Company to the investors at the following conferences:

| Name | Date | Venue |
|---|---|---|
| Axis India Conference | November 11, 2016 | Mumbai |
| CLSA India Forum | November 14, 2016 | Gurgaon |

Kindly take the same on record.

Thanking you,

Sincerely Yours

**For Bharti Infratel Limited**

**Shweta Girotra**
**Company Secretary**

Encl: As above

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Bharti Infratel Limited

# Investor Presentation

November 2016

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# Company Overview

# Bharti Infratel – Who We Are?

Bharti Infratel Limited

- A Leading Tower Infrastructure Operator
- Pan India Presence across all 22 Telecommunications Circles
- Indus Towers – JV between Bharti Infratel, Vodafone and Aditya Birla Telecom
- Top 3 Operators – Anchor Customers & Relationships with all other Operators
- Marquee promoter and investors

# Performance at a Glance

**89,791** towers and **198,795** co-locations[1]

**38,832** towers of Bharti Infratel and **50,959** towers from 42% stake in Indus [1]

FY16 Consolidated Revenue of **US$1,861m**

Q2 FY17 Consolidated Revenue of **US$494m**

FY16 Consolidated EBITDA of **US$822m**[2] and Q2 FY17 Consolidated EBITDA of **US$218m**

FY16 EBITDA Margin[3] of **44.2%** and Q2 FY17 EBITDA Margin of **44.2%**

FY16 Profit after Tax of **US$339m** and Q2 FY17 Profit after Tax of **US$116m**

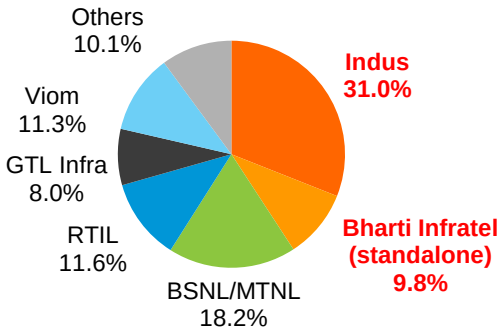
FY16 Profit Margin of **18.2%**[4] and Q2 FY17 Profit Margin of **23.5%**

Q2 FY17 Net Cash of US$781Mn

FY16 Consolidated Operating free cash flow[5] of **US$496m** and Q2 FY17 consolidated Operating free cash flow of **US$140m**

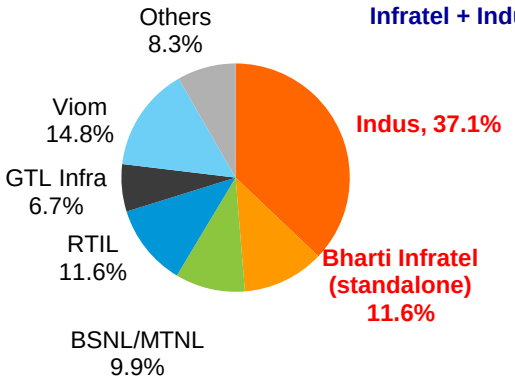
## Market share in terms of installed tower base, FY15

**Infratel + Indus[1] : 40.8%**




## Market share in terms of co-locations, FY15

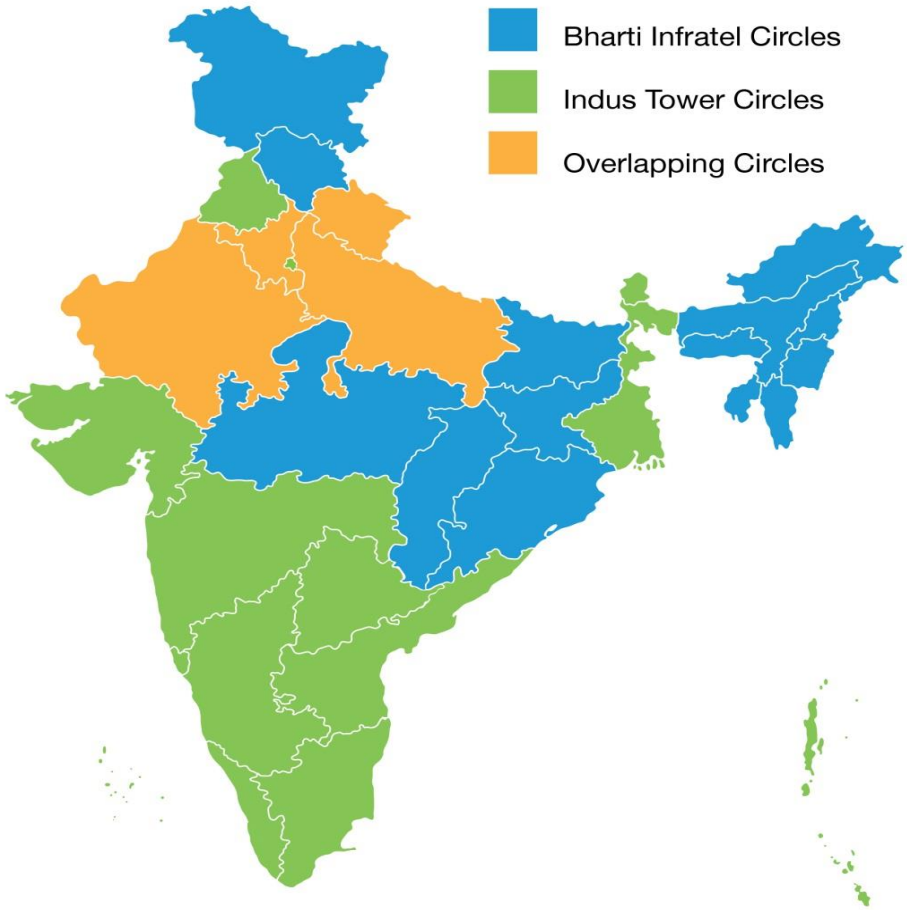
**Infratel + Indus[1] : 48.7%**




*Source for Market Share: Deloitte, June 2015*

*Exchange Rate Used for FY16: US$1 = 66.25 as on 31st March, 2016, Q2FY17: US$1 = 66.58 as on 30th Sept 2016*
*Note: Financials for Bharti Infratel for year ending March 31, 2016 and quarter ending Sept 30, 2016*
*(1) As of Sept 30, 2016*
*(2) Includes pass through costs*
*(3) EBITDA for Bharti Infratel has been calculated excluding Other Income*
*(4) Profit margin calculated as PAT divided by Rental Revenue & pass through costs*
*(5) Calculated as EBITDA less Capex*
*(6) Based on proforma consolidated financials as per proportionate consolidation method as per IND AS*

# Pan India Footprint : Leading Positions Across India




## Pan India presence

- Opportunities for voice growth in rural areas given rural penetration of 51.37%(1)
- 3G/4G services to drive data consumption
- Given inadequate wire-line infrastructure, wireless services expected to cater to new demand

| | Bharti Infratel Circles | Indus Towers Circles | Overlapping Circles |
|---|---|---|---|
| **No of Circles** | 7 | 11 | 4 |
| **No. of Operators** | 6 - 9 | 7- 10 | 8 - 10 |
| **No. of Subs. (m) (2)** | 220 | 604 | 235 |
| **Teledensity (%) (2)** | 73.9% | 109.0% | 73.4% |

*In the computation of wireless teledensity, following assumptions have been made:*
*A. Since only UP state teledensity was available, it was assumed to be the same between UP(E) and UP(W); B. Since teledensity was reported for West Bengal including Kolkata, the same teledensity was assumed for both circles; C. Since teledensity was reported for Maharashtra including Mumbai, the same teledensity was assumed for both circles ; D. Delhi includes Ghaziabad, Noida, Gurgaon and Faridabad ; E. Operator refers to wireless operators providing service as of 31 Mar 2016 ; F. No. of SIMs refers to wireless subscribers*

*(1) Source: Wireless Penetration as per TRAI as of March 31, 2016*

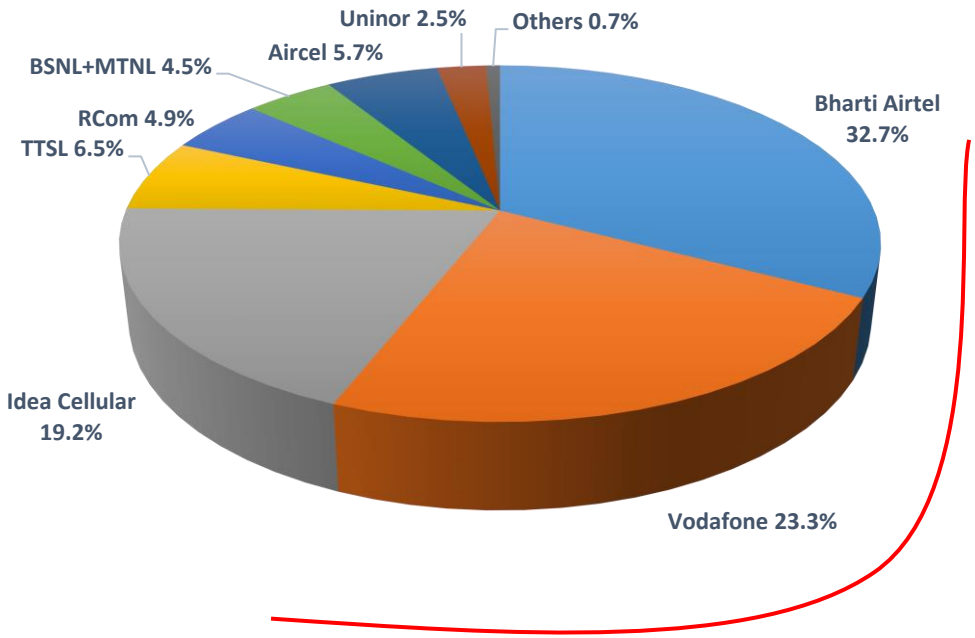
*(2) Source: TRAI as of March 31, 2016*

# Industry Overview

# Operator Industry Dynamics

## Market Concentrated in Hands of Select Players

**The Indian market is dominated by the top 3 operators: BIL's Anchor Tenants**




**Anchor tenants : 75.2% RMS**

**Non-discriminatory nature**

**RoFRs from Anchor Operators**

**All operators are customers**

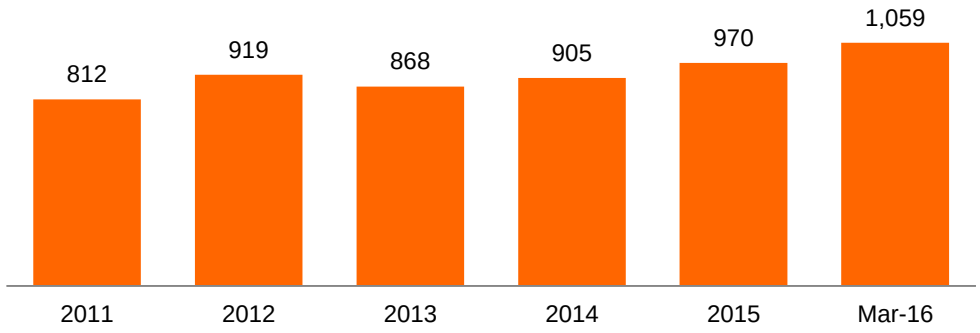
*Source: (1) TRAI , for the quarter ended Jun 30, 2016; Others includes Loop Mobile, Videocon, HFCL, Sistema Shyam. RCOM has not disclosed their revenues for the quarter – assumed same as 4Q16*

# Continuing Voice Led Growth

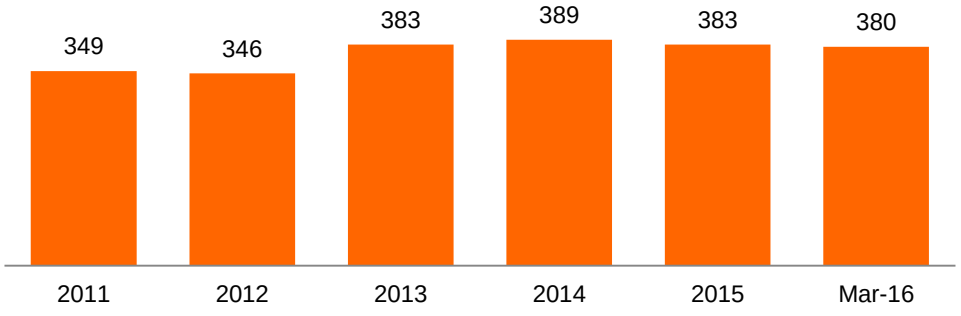
**Wireless Base continues to rise – while MOU / Sub has held steady**

- Growth opportunities remain in rural and semi urban voice market
- Rural penetration still ~ 50% - significant headroom
- Both coverage and capacity requirements to fuel tower and co-location demand
- Lower ARPUs further necessitate sharing for ensuring operational efficiency

**India: Wireless Subscriber Base[1] (m)**




**MOU/month/Sub[1] (minutes)**




*Source: (1) TRAI Report for the Year ended 31st March*

# Increasing Operator Focus on Data

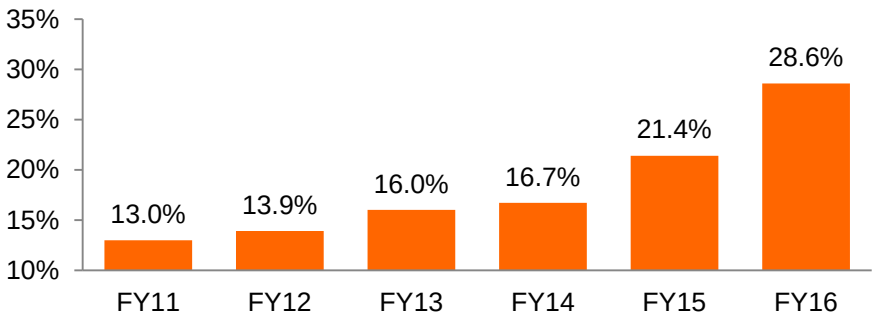
**An operator agnostic business model, superior network footprint and service quality standards allow Bharti Infratel to capitalize on the growth in the data market**

## Operator Investment in Licenses[1]

- 3G/4G auctions held since 2010 led to significant investments of over $53bn by telecom operators.
- Most of this spectrum has been acquired for data networks rollout.
- Airtel 4G services are currently available in 21 circles across India
- Idea Cellular has also launched 4G in 10 circles
- Reliance Jio recently launched 4G in 22 circles across the country

| Spectrum Outlay | 2010 | 2012 | 2014 | 2015 | 2016 | Cumulative |
|---|---|---|---|---|---|---|
| (Rs mn) | 1,062.6 | 94.1 | 671.8 | 1,098.7 | 657.8 | 3,585.0 |
| (USD mn) | 15.9 | 1.4 | 10.1 | 16.4 | 9.8 | 53.7 |

## Non Voice contribution ~ 29% of Operator's Revenues[2]




## Investments by Anchor Operators[4]

| No. of circles | Pre 2016 Auctions | | Post 2016 Auctions | |
|---|---|---|---|---|
| | 3G | 4G | 3G | 4G |
| Bharti | 21 | 22 | 22 | 22 |
| Vodafone | 16 | 7 | 18 | 17 |
| Idea | 13 | 10 | 15 | 20 |

## Findings from NSN MBIT Index[3]

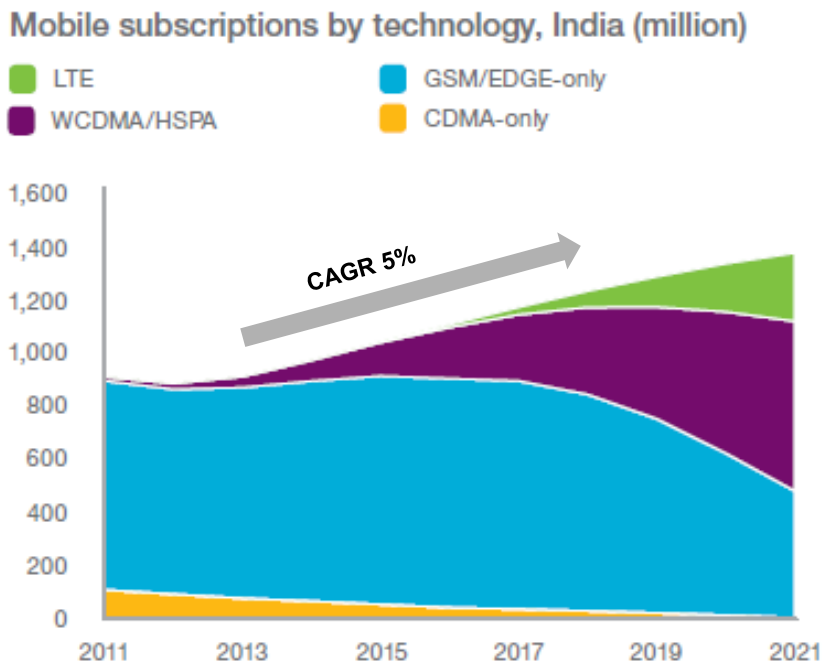
- 50% growth in mobile data traffic in India between Dec'14 & Dec'15
- 3G grew by 86% while 2G grew by 12%
- 3G users consume 3.4 times more data than 2G users
- Smartphones generate more than half of all mobile data in India

*(1) Source: Morgan Stanley, Data converted at US$=INR 66.8*
*(2) Based on Operator reported numbers (Airtel and Idea)*
*(3) NSN MBIT Index 2016*
*(4) 3G on either 900 or 2100 and 4G services through 1800 or 2300 or 2500 MHz spectrum; Data Capability is calculated in the circles where either 3G or 4G spectrum is available.*

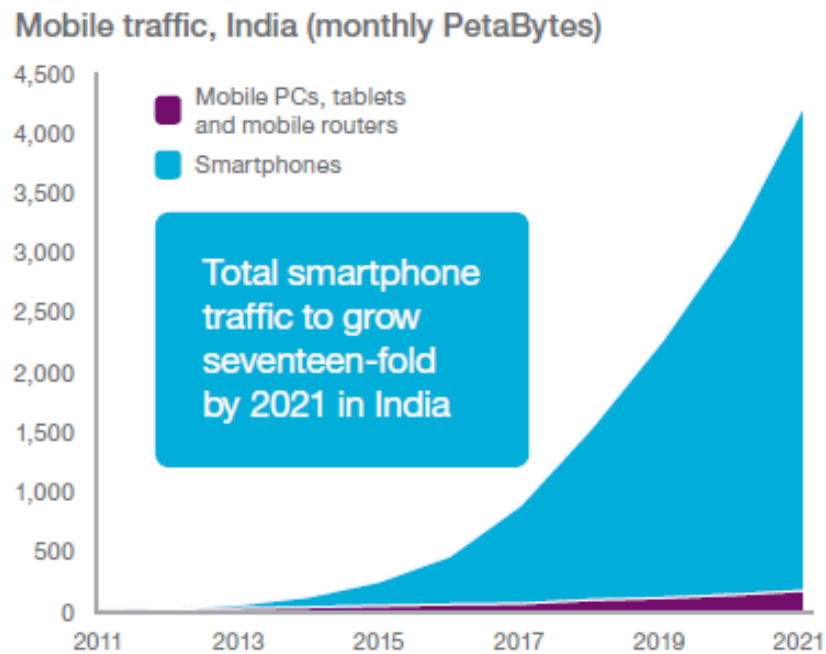
# Data Revolution Unfolding

- Favorable demographics –Median Age of India's population ~26 years
- Broadband penetration ~12%[1] & Internet penetration ~27%[2]
- Technology Adoption and smartphone penetration leading to higher data uptake

**Superior Technology will lead to Subscriber growth[3]**




**Data growth driven by smartphone traffic**




*Source:*
*(1) TRAI Indicator Report Mar 2016; (2): TRAI Report; (3) Ericsson Mobility Report – June 2016*

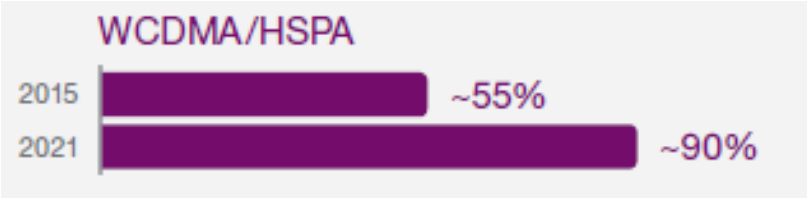
# Network & Data Growth Forecasts

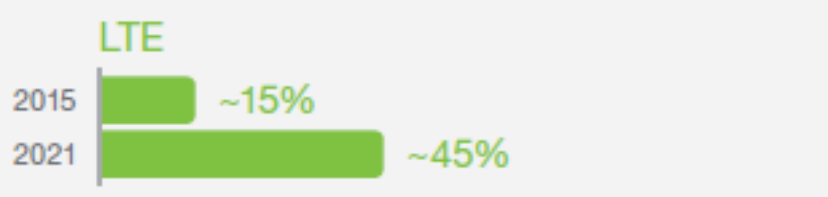
**Exponential Growth in Data over the next five years**

| | 2015 | 2021 | CAGR 2015–2021 |
|---|---|---|---|
| Mobile subscriptions (million) | 1,040 | 1,370 | 5% |
| Smartphone subscriptions (million) | 210 | 810 | 15% |
| Data traffic per active smartphone (GB/month) | 1.4 | 7 | 30% |
| Total mobile traffic (EB/month) | 0.3 | 4.5 | 55% |

**3G and 4G will be the leading technologies in 2021**

**India Population Coverage by GSM/EDGE, WCDMA/HSPA and LTE technologies**




*Source: Ericsson Mobility Report – June 2016*

# Phases of Data led Tower Revenue Growth

| Airtel has 100 sites in Delhi Circle (900 + 1800 Mhz) for 2G coverage | Due to Propagation effect Airtel will need 150 sites on 2100 MHz for 3G | Total Towers available with Indus in Delhi - 135 |
|---|---|---|
| STAGE 1 | Loading all the existing 100 sites with 3G BTS | Loading Revenue for Tower Company |
| STAGE 2 | Plugging Coverage Gaps by using the available 35 in the system | New Tenancy to the Tower Company |
| STAGE 3 | Full Coverage by ordering additional 15 sites to Tower Co. | New Site Build for Tower Co. |
| STAGE 4 | Capacity Site Addition | New Tenancy and Site Build for Tower Co. |

- Indicative numbers and Coverage Ratios
- Please refer to slide 33 for the Analsys Mason table on Propagation effect of frequencies

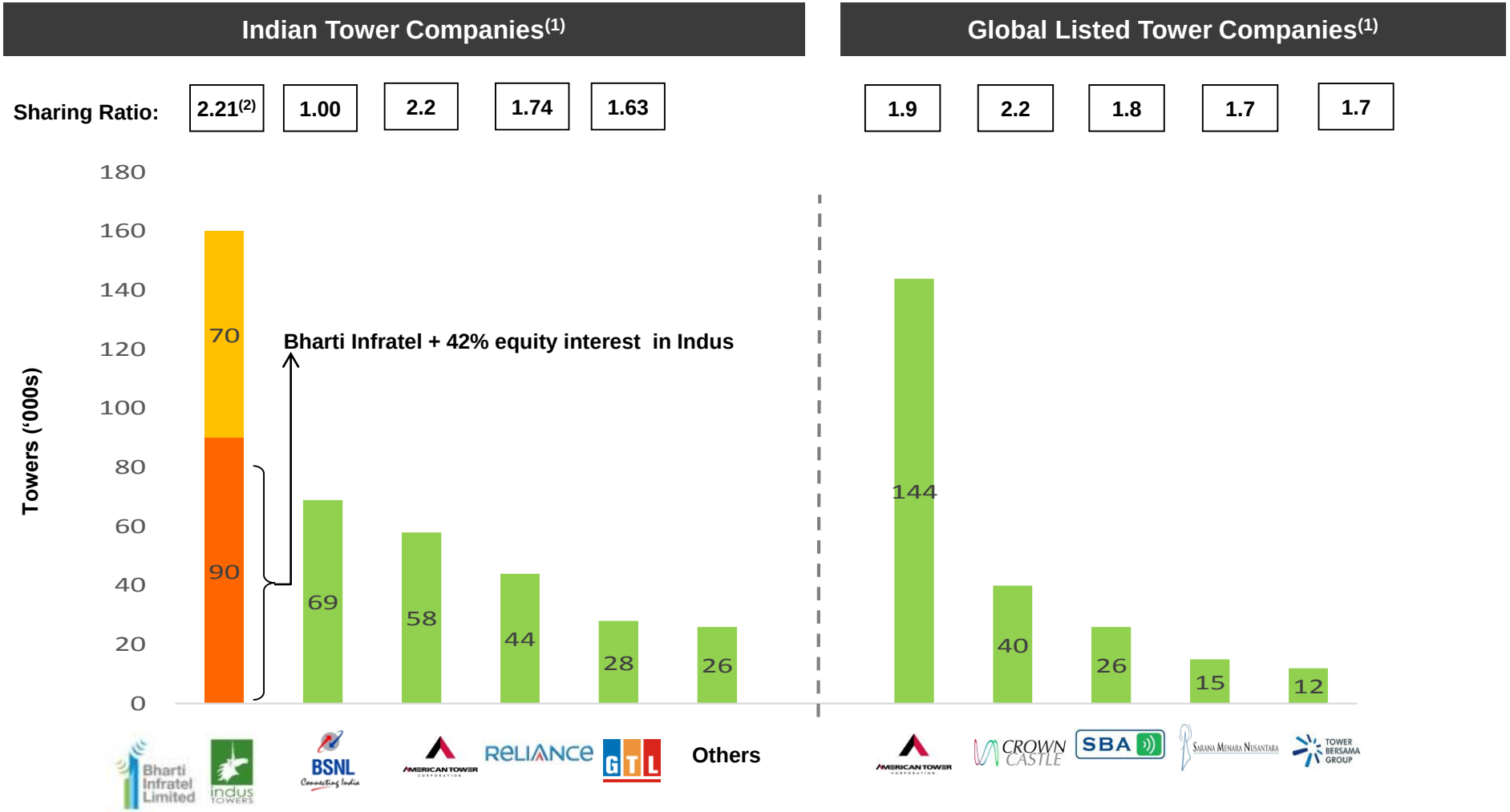
# Business Model Strengths

# Business Model Strengths

Bharti Infratel Limited

1. A Leading Tower Infrastructure Operator
2. Visibility of Future Revenues Through Long Term Contracts
3. Demonstrated Operational and Financial Performance
4. Implementation of Green Initiatives
5. Experienced Management

# 1 A Leading Global Tower Infrastructure Operator




CCI: Crown Castle International, SBA: SBA Communications, ATC: American Tower, TBIG: Tower Bersama; SMN: Sarana Merana Nusantara

Source: Deloitte, SEC filings, Annual and quarterly reports; For Bharti Infratel, ATC, CCI, SBA data corresponds to Sep 30, 2016. For SMN, TBIG data corresponds to Jun 30, 2016; For GTL data corresponds to Mar 30, 2016; For all others data corresponds to March 31, 2015 as per Deloitte Report.

1. Bharti Infratel and Indus tower and co-locations as at Sep 30, 2016; Sharing factor for Bharti Infratel standalone and Indus combined
2. Combined quarterly average sharing factor for Bharti Infratel including 42% stake in Indus. Unconsolidated sharing factors for Bharti Infratel is 2.13 and for Indus is 2.26, data as of Sep 30, 2016

# 2 Long Term Contracts with Visibility of Future Growth

## Key Features of Master Service Agreements (MSAs)

| | | |
|---|---|---|
| **Tenor** | | ▪ Long term (10 to 15 years) with built in escalations (2.5% p.a) |
| **Termination Penalty** | | ▪ Significant exit penalties |
| **Rentals** | **Base Rental** | ▪ A base rental rate is applicable, based on the following factors:<br>- Total number of service providers at the site<br>- Ground Based Tower or Roof Top Tower |
| | **Premium** | ▪ A variety of premiums can be levied<br>- Rental premium<br>- Strategic premium<br>- Active infrastructure charges<br>- Contract term |
| | **Fuel Cost** | ▪ Energy costs (electricity and fuel charges) are treated as pass through in two ways:<br>- As per the amounts incurred<br>- Based on a rate card per circle |
| **Service Agreement** | | ▪ Specifies service levels applicable<br>▪ Site access service level sets out time period within which the service provider is to be provided access to the site |

**Weighted Average Life of Contracts is 6.69 years;**
**Contracted Revenues of US$8.25bn (as of Q2 FY17 exit)**

*Source: Company Filings*
*Exchange Rate Used: US$1 = 66.58 as on Sep 30, 2016*

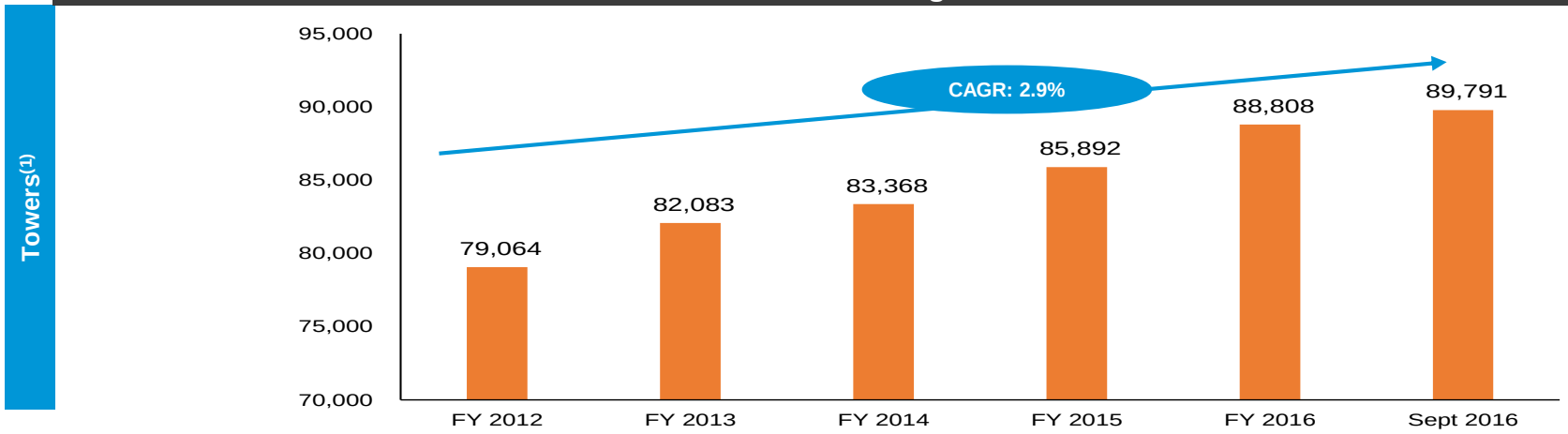
# 2 Business Model Unique to India

## Key Features of Master Service Agreements unique to India unlike US Tower Cos

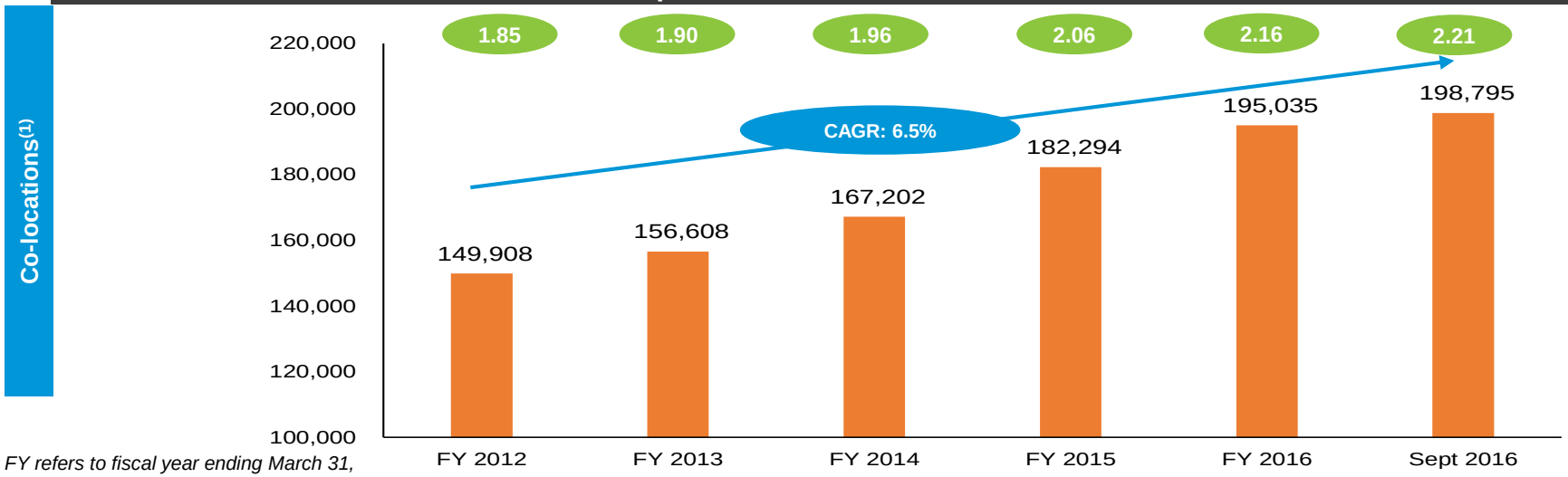
| Purpose | Key Feature | Result |
|---|---|---|
| Disarming The Operators | • It is not economically rewarding for the operators to build new towers themselves | **No Operator in India is building towers on their own now** |
| Create Natural Entry Barrier | ▪ Sliding scale of rent<br>▪ Sharing Energy Cost | **It is economically unviable to erect a new tower at a location where a tower is already present** |
| Volume vs. Value | ▪ By sharing minimal value gain the model has ensured huge volume of towers, virtually entirely built in the Tower Cos | • **Have over 160k towers and >358k tenancies vs. having <30k towers, if there was no growth participation**<br>• **Gives tower company a huge volume play going forward** |

# 3 Demonstrated Operational and Financial Performance

## Stable tower growth…




## …coupled with an increase in co-locations

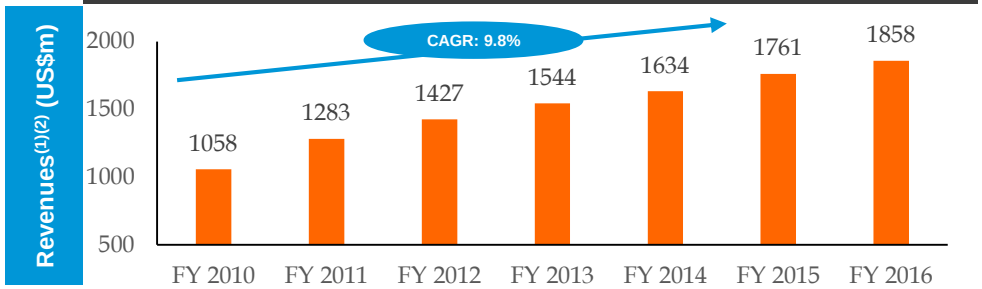



*FY refers to fiscal year ending March 31,*
*(1) Consolidated figures for Bharti Infratel include 42% economic interest in Indus Towers*

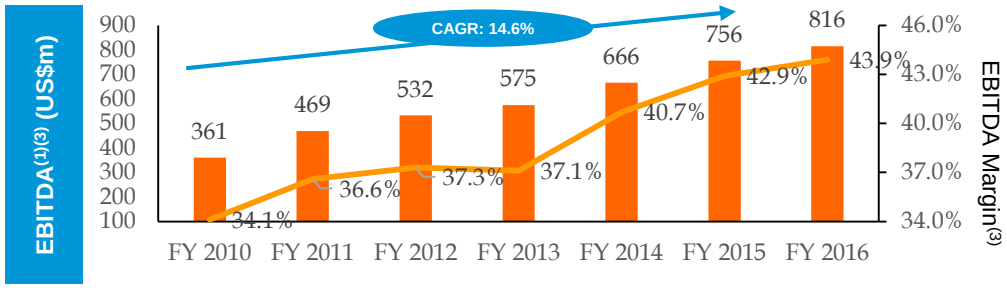
**Average Sharing Factor**

# 3 Demonstrated Operational and Financial Performance

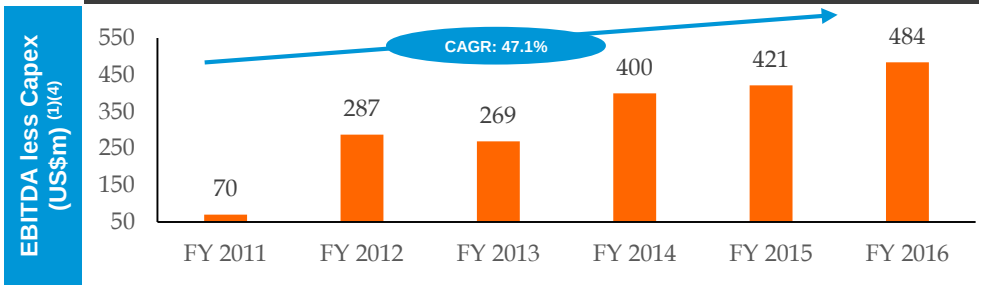
## Strong revenue growth…



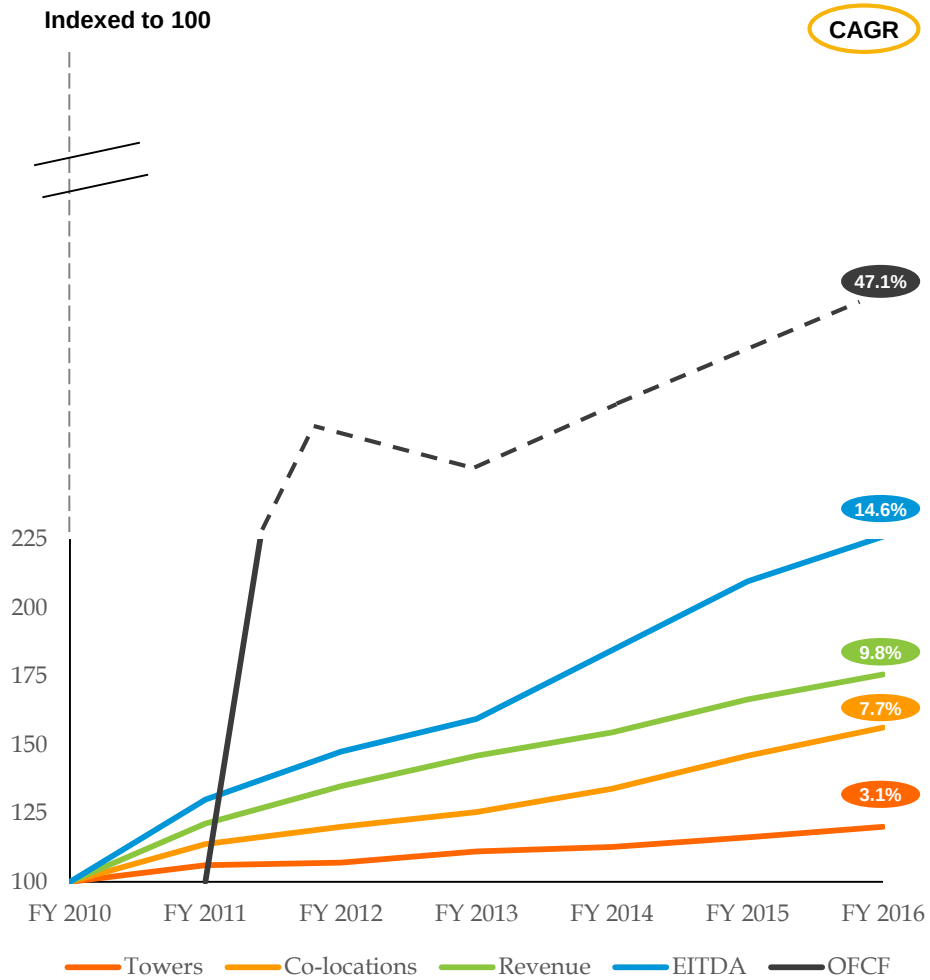

## … expanding margins…




## …significant operating free cash flow(5) generation and…




## Strong Operating Leverage




*Note: Constant exchange rate of US$ 1 = INR 66.25 as on 31st March 2016 has been used*
*(1) Revenue, EBITDA and Operating Free Cash Flow are excluding Other Income*
*(2) Consolidated figures for Bharti Infratel include 42% economic interest in Indus Towers*
*(3) Only consolidated Rental revenues considered for calculation ; excludes pass through costs like energy costs and Other Income.*
*(4) EBITDA for Bharti Infratel has been calculated using revenue less pass through costs and excluding Other Income*
*(5) Operating Free Cash Flow calculated as EBITDA – Capex; Capex is defined as the additions to the Tangible Assets during the period*

# 3 Focus on Delivering Shareholder Value

**Bharti Infratel is focused on delivering return to its shareholders through multi-pronged strategy**

## Pursuit of viable value accretive inorganic growth

- **Bharti Infratel is focused on identifying opportunities for inorganic growth that are value accretive and feasible**

## Leverage Diversified Customer Base to Capitalize on Data Growth

- **Bharti Infratel stands to benefit from a pick of data growth across the industry, diversification of customer base allows Bharti Infratel to benefit from data growth in the Indian telecom sector, no matter which operator achieves dominance**
- **Capitalize on opportunities arising out of Government Initiatives of Digital India, Smart Cities, etc.**

## Robust Dividend Policy- Total Payout Ratio of 203% in FY16*

- **Aim to balance capital needs and distribution to shareholders**
- **Target payout to be higher of –**
  - **100% Dividends received from Indus, or 60-80% of Bharti Infratel PAT (including DDT)**

| | FY14[1] | FY15[2] | FY15[3] | FY16[4] | FY16[4] |
|---|---|---|---|---|---|
| | Final | Interim | Final | Dividend | Buy Back |
| Total Payout* (US$m) | 161 | 167 | 197 | 103 | 302 |
| Payout (₹ per share) | 4.4 | 4.5 | 6.5 | 3 | 10.5 |

## Explore Opportunities to Return Cash to Shareholders

- **Aim to increase liquidity of the stock in the market**
- **Aside from its payout policy, the company is considering various opportunities to return excess cash to shareholders, subject to clarifications on company law [5]**

*Note:*
** Including Dividend Distribution Tax*
*(1) Constant exchange rate of US$ 1 = INR 60.59 has been used; (2) Constant exchange rate of US$1 = INR 60.09 has been used*
*(3) Constant exchange rate of US$1 = INR 62.5 has been used; (4) Constant Exchange Rate of US$1 = INR 66.25 has been used*
*(5) Subject to adequate liquidity for planned business activities and capital expenditure and other uses including debt servicing requirements, acquisitions and ensuring an acceptable credit rating*

# 3 New opportunities for Telecom Infrastructure development under 'Smart Cities' Project

## Development of Smart Cities key for 'Digital India' Program

- Government has already announced the creation of 100 Smart Cities

## Communication backbone is key to a Smart City

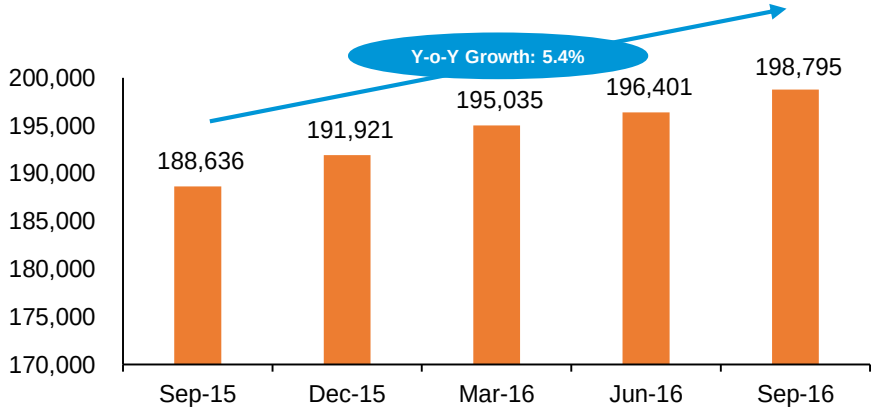
- Smart City project entails setting up of telecom infrastructure which will include tower set up, micro site and fiberized backhaul
- Essentials include 100% coverage of area by cell phone towers coupled with 100Mbps backbone
- Expectations from Smart City also include wide availability of Wi-Fi, fiber optic connectivity to home, etc.
- Smart City usual business activity for Infratel, however counterparty and business model may vary from project to project

## Infratel best positioned as Shared Infrastructure provider

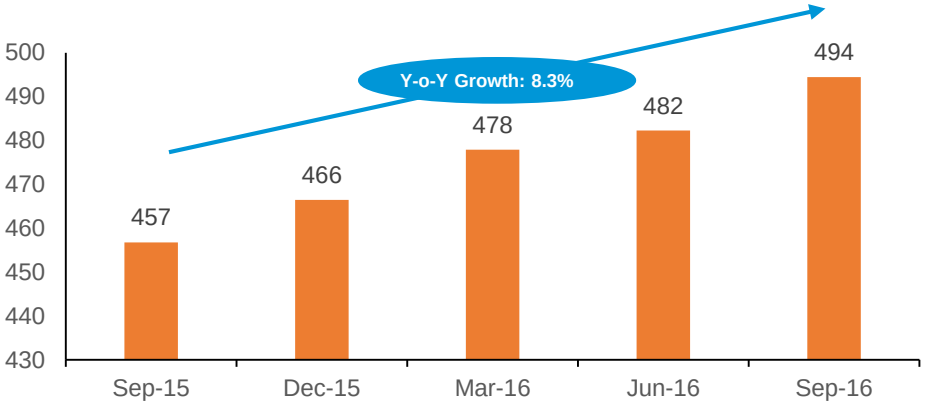
- Infratel best positioned given its large footprint, strong balance sheet, relationship with leading mobile operators, proven skills to manage distributed operations, etc.
- Infratel led Consortium has been selected as successful bidder for setting up Intelligent Street Poles for implementing Smart City project in Bhopal, Madhya Pradesh. While this project size is not significant given our scale, it paves the way for Infratel to participate in similar bids in the future
- Continue to engage with the Government to explore all the possibilities of telecom infrastructure deployments in Smart Cities
- Shall assess opportunities and businesses that are in accordance with the Company philosophy and are value accretive

# 3 Quarterly Performance Reposed Significant Growth

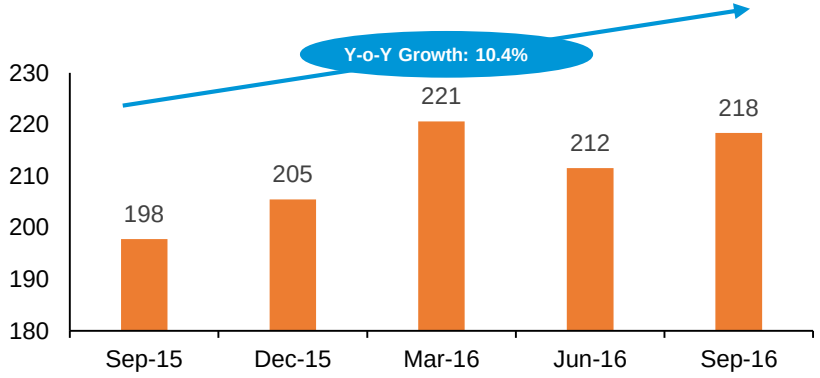
## Co-locations



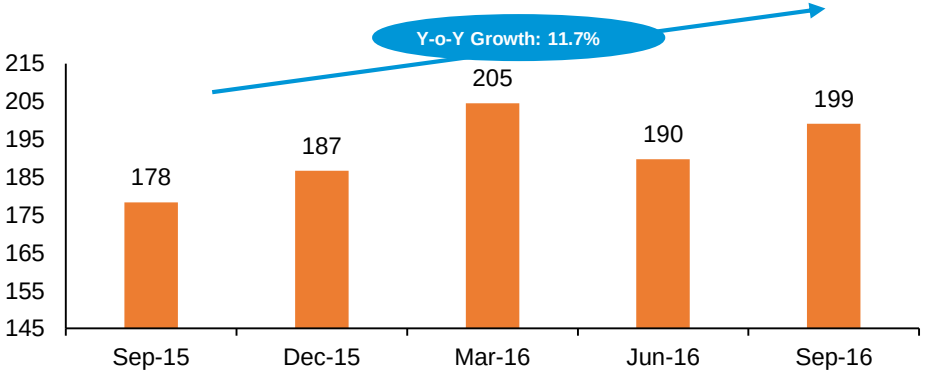

## Revenue[1] (US$m)




## EBITDA[1] (US$m)




## AFFO[1,4] (US$m)




*Note: Constant exchange rate of US$ 1 = INR 66.58 has been used, which is the closing exchange rate as on Sept 30, 2016*
*(1) Revenue, EBITDA, Operating Free Cash Flow and AFFO are excluding Other Income*
*(2) Consolidated figures for Bharti Infratel include 42% economic interest in Indus Towers*
*(3) Operating Free Cash Flow calculated as EBITDA – Capex; Capex is defined as the additions to the Tangible Assets during the period*
*(4) Adjusted Fund from operations, AFFO is calculated as EBITDA – Maintenance Capex*
*(5) Based on proforma consolidated financials as per proportionate consolidation method as per IND AS*

# 4 Implementation of Green Initiatives

- Bharti Infratel has institutionalized '**GreenTowers P7**' programme, aimed at minimizing dependency on diesel consumption and thereby, reducing the carbon footprint
- The 'GreenTowers P7' programme is based on seven innovative ideas deploying cleaner energy technologies
- We have adopted a three-pronged strategy to run this programme:

## 1 Solar Installations and Diesel Free Towers

- Close to 3,070 solar powered towers with installed capacity of over 11 MW
- Over 30,000 (33% of the Portfolio) towers across the network are Green towers

## 2 Improving Energy Efficiency of Towers

- Implemented hybrid battery bank solutions in towers across the country
- Installed variable speed diesel generator (DG) sets in various sites

## 3 Reduction of Power Consumption via Free Cooling Units (FCU)

- FCUs utilize the outside ambient air for cooling the shelter

*Note: Figures as of Sep 30, 2016*

# 5 Experienced Management Team

**Akhil Gupta**

*Chairman*

- Joined Bharti Infratel in March 2008 as Director
- Work experience of 30 years
- Certified Chartered Accountant and fellow member of ICAI. Completed an advanced management program at Harvard Business School.
- Has received various awards including 'CEO of the Year' at the National Telecom Awards 2012, and the 'CA Business Achiever Award' at the ICAI Awards 2008

**Devender Singh Rawat**

*Managing Director & CEO*

- Joined Bharti Infratel in July 2010 as Chief Executive Officer
- Work experience of 26 years
- B.E. (Electronics & Communication)
- Completed an advanced management program at Wharton Business School.

**Pankaj Miglani**

*Chief Financial Officer*

- Joined Bharti Infratel in August 2011 as Chief Financial Officer
- Work experience of 21 years
- Chartered Accountant, certified Cost and Works Accountant and Certified Company Secretary

**Biswajit Patnaik**

*Chief Sales and Marketing Officer*

- Joined Bharti Infratel in October 2008 as Chief Sales & Marketing Officer
- Work experience of 21 years
- Bachelors Degree from Behrampur Univ. & Diploma in Sales & Marketing Management from National Institute of Sales

**Dhananjay Joshi**

*Chief Operations Officer*

- Joined Bharti Infratel in February 2014
- Work experience of 28 years
- Bachelors Degree in Electronics & telecommunications Engineering from Mysore University (India)

***The top management has an average experience of over 20 years in various sectors including telecom***

# CSR, Awards and Recognition

## Awards and Recognition

**Best Employer Award 2016**

- Aon Hewitt released the list and Bharti Infratel is one of the best Employers in India second time in row

**Great Place to Work 2016**

- Bharti Infratel has been recognized as one of Best Companies to Work for in the year 2016, by Great Place to Work Institute for the first time

**Best Infrastructure Brand of 2016**

- Bharti Infratel has been recognized as the Best Infrastructure Brand of 2016 at The Economic Times Best Infrastructure Brands conference

**Golden Peacock Awards 2015**

- Institute of Directors has awarded Golden Peacock Awards 2015 to Bharti Infratel for our unique initiatives and significant contributions towards CSR.

**Dun & Bradstreet Infra Awards 2015**

- Bharti Infratel has won two awards under the Best Growing Infrastructure Company, and Telecom Infrastructure Development categories

**National Quality Excellence Award 2015**

- World Quality Congress conferred this award for Best Business Process Excellence Program and Lean Six Sigma Program

**Top Risk Management Award 2015**

- ICICI Lombard & CNBC TV18 conferred upon Bharti Infratel the Award under Infrastructure Category

## Corporate Responsibility

1) **Green Towers Program**
   - GreenTowers P7 program
   - Comprehensive energy management plan
   - Aimed at using alternative, renewable and energy efficient technologies
   - “Go Green” Initiative

2) Provide free children education in rural India through Satya Bharti School Program

3) Sanitation initiatives in partnership with Bharti Foundation as part of ‘Clean India Campaign’

4) Provide relief material to disaster hit families in J&K and contribution to PM’s Relief Fund

# In Summary

# Company Strategy

Promote Tower Sharing

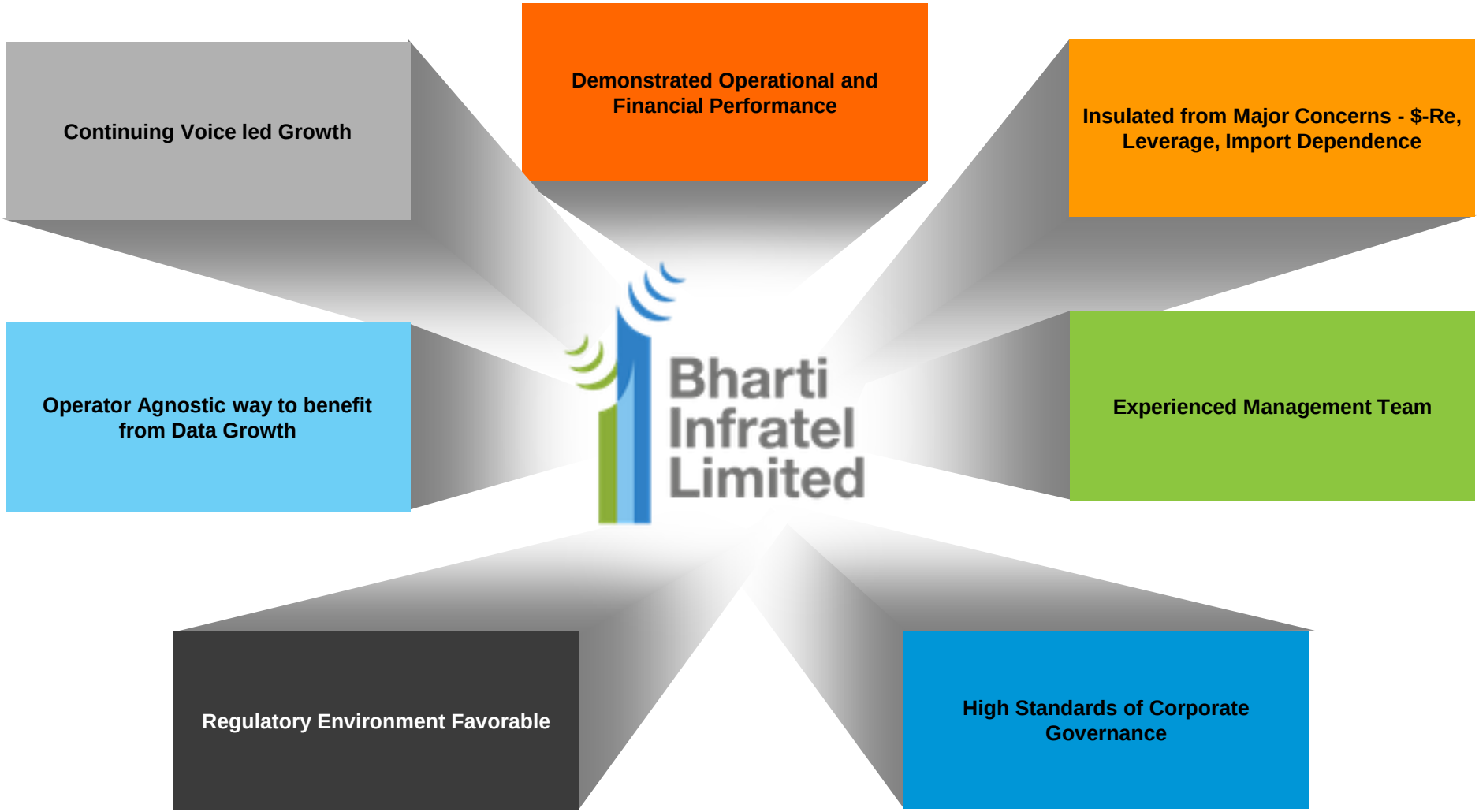
Organic Growth and Acquisition Opportunities

Capitalize on opportunities of Data growth, Digital India, Smart Cities Initiatives of Government

Achieving Cost Efficiencies Across Tower Portfolios

Increasing Revenue and Capital Productivity

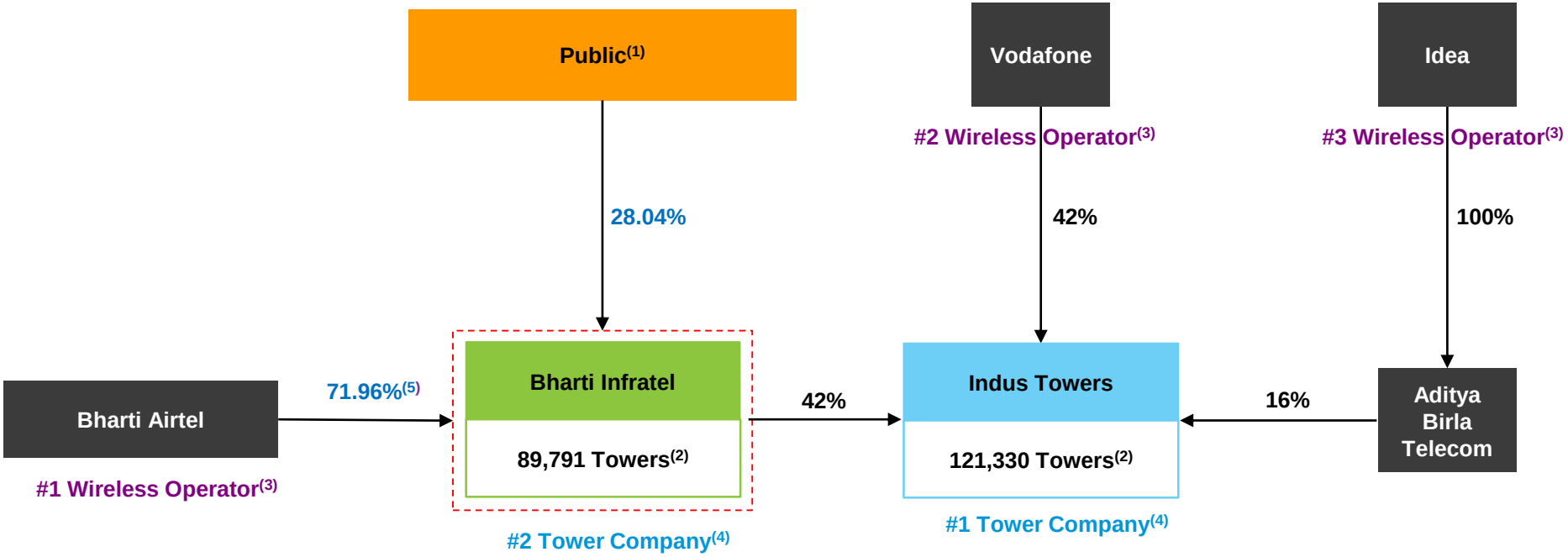
# Investment Thesis



# Appendix

# Bharti Infratel Overview

## Corporate Structure




***Together with Indus Towers, Bharti Infratel is a leading tower company in India***

*(1) Public includes the PE as well as IPO investors*
*(2) As at Sept 30, 2016; No. of towers for Bharti Infratel is consolidated including 42% stake in Indus Towers*
*(3) Ranking as per India revenue market share for the quarter ended June 2016 (Source: TRAI)*
*(4) Based on tower count (Source: Deloitte); Bharti Infratel is #2 tower company including proportionate towers based on 42% economic interest in Indus; Bharti Infratel standalone has 38,832 towers as of Sept 30, 2016*
*(5) Bharti Airtel shareholding as on 28 October, 2016*

# Impact of Data Growth on Tower Industry

- Expansion of 3G / 4G Networks by Operators will necessitate demand for towers
- Propagation on higher frequency band weaker
  - Data usage to drive co-location growth
  - 3G/4G only sites to drive tower demand

**Propagation effects in different bands**

| Tower Multiplier when Switching Frequencies | | New Frequency Band | | | | |
|---|---|---|---|---|---|---|
| | | 900 MHz | 1800 MHz | 2100 MHz | 2300 MHz | 2600 MHz |
| Base Frequency Band | 900 MHz | 1.0x | 1.6x | 1.9x | 3.2x | 3.7x |
| | 1800 MHz | | 1.0x | 1.2x | 2.0x | 2.3x |
| | 2100 MHz | | | 1.0x | 1.7x | 2.0x |
| | 2300 MHz | | | | 1.0x | 1.1x |
| | 2600 MHz | | | | | 1.0x |

***All operators are customers of Bharti Infratel ~ Operator Agnostic Exposure to Secular Data Growth***

*Source: Analysys Mason*

# Regulatory Environment Favourable

**The Cabinet Committee on Infrastructure has included "Telecommunication towers" as a infrastructure sub-sector in the master list**

| Potential Benefits | Impact |
|---|---|
| **Accelerated depreciation** | Encourages further investments in expanding the telecom infrastructure to rural areas |
| **Higher ECB limit** | Infrastructure status raises the limit of external commercial borrowing (ECB). |
| **Eligible for viability gap funding (VGF)** | Public Private Partnership (PPP) expected to infuse fresh funds |
| **Lower import duties and certain excise exemption** | ▪ Levy the lowest import duties<br>▪ Exemption of excise duties would boost local manufacturing and thereby, reducing the cost |
| **Lower lending rates** | ▪ Leads to extension in bank loan repayment period<br>▪ Interest rates would settle lower |
| **Tax holiday** | ▪ Tax holiday under section 80IA of the Income Tax Act, 1961<br>▪ Tax incentives will play a significant role in attracting private sector investments. |

**DoT has issued guidelines for installation of Mobile Towers – Bringing Standardization**

Bharti Infratel Limited

# Investor Presentation

November 2016