# Indian wireless

## Time to hang up

Telecommunications

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- **Downgrading Bharti, Idea to Sell**
  Indian telcos remain the most richly valued in global telecom. While growth rates exceed global peers, we believe upside potential is very limited. Based on a change in the Reliance Equities equity recommendation system, the limited upside to our price targets warrants a Sell rating for Bharti and Idea.

- **Headwinds to come to the fore in 2009**
  The next 12 months should see a number of developments which, we believe will pressure valuations in the group. These include increasing competition from existing and new operators; capex spend on 3G and WiMAX; and implementation of mobile number portability. Recent spectrum acquisitions in India imply valuations ranging from US$0.45/MHz/POP to US$0.61/MHz/POP. However, we believe 3G and WiMAX bids are unlikely to reach such lofty levels given global liquidity issues. We assume 3G spectrum clears at US$0.16/MHz/POP and WiMAX at US$0.02/MHz/POP.

- **Tough Pay TV economics to drive EBITDA, margin dilution in FY10**
  Competition in the Indian Pay TV market is set to accelerate and we believe pricing will get more aggressive as operators compete for market share. Direct-to-home (DTH) TV economics for Bharti and RCOM are better than standalone peers. However, we estimate DTH initiatives could dilute the two operators' consolidated EBITDA margins by 120 bps and 170 bps in FY10, respectively. DTH economics are not currently factored into our estimates.

- **Updated model reflects operationalisation of Indus effective 1 January**
  We now expect Bharti, Vodafone and Idea to sign an indefeasible rights of use (IRU) agreement with Indus effective 1 January (versus our prior expectation in 3Q FY09). Bharti, which follows US GAAP, will begin accounting for its 42% stake in Indus as an equity investment while Idea, which follows Indian GAAP, will use proportionate consolidation.

**Key financials**

| | | Current | Target | Market | Enterprise | P/E | | CAGR EPS | EV/EBITDA | | CAGR EBITDA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rating | price (Rs) | price (Rs) | cap (Rsbn) | value (Rsbn) | FY09E | FY10E | (FY09–12E) | FY09E | FY10E | (FY09–12E) |
| Bharti | Sell | 722 | 732 | 1,376 | 1,465 | 16.6x | 13.4x | 17.4% | 9.3x | 7.4x | 18.7% |
| RCOM | NR | 216 | NA | 472 | 686 | 7.9x | 7.8x | 6.7% | 7.1x | 5.6x | 19.7% |
| Idea | Sell | 53 | 51 | 173 | 300 | 14.9x | 15.3x | 16.8% | 10.3x | 7.4x | 27.0% |

Source: Company data, Reliance Equities estimates. Prices in this report are as of 19 December 2008

# Investment summary

We are downgrading our ratings on Bharti and Idea to Sell from the prior Hold. Our 12-month price target on Bharti increases to Rs 732 from the prior Rs 683 while that for Idea increases to Rs 51 from the prior Rs 48 largely due to rolling over of our price targets to the end of FY10 (March 2010) from March 2009.

However, due to the change in Reliance Equities' equity recommendation system (see disclosures at end), the limited upside potential to our price target warrants a Sell rating for both Bharti and Idea.

We continue to believe macro industry factors and regulatory headwinds will remain overhangs and will limit multiple expansion in the group. In addition, dilution from the DTH launch (which has not been factored into consensus estimates) will lead to a further downward revision in consensus EBITDA and EPS estimates.

Key industry developments expected to occur in the near term that drive our cautious outlook on the sector include:

**Auction of 3G and BWA spectrum: January/February 2009**
We believe both Bharti and RCOM will bid to win nationwide licences for 3G and WiMAX. In addition, we expect Tata Teleservices to be a competitive bidder following the recent infusion of fresh equity from NTT DoCoMo. Other operators that we believe are likely to be interested bidders in specific circles include Aircel (which has backing from Malaysian operator Maxis) and Idea.

The reserve price for a nationwide 3G licence is Rs 2,020 crore (Rs 20.2 billion) and for WiMAX it is Rs 1,010 crore (Rs 10.1 billion). Recent spectrum transactions could provide clues to the final market price for spectrum. As the table below suggests, Swan Telecom which has 2G licences in 13 circles (Metros, A and B) was valued at US$2 billion in September 2008, implying a valuation of US$0.61/MHz/POP (POP = population covered). Subsequently, Unitech Wireless' pan-India licence (including less valuable C circles) was valued at US$0.45/MHz/POP. We believe valuations in the 3G spectrum are unlikely to reach these levels given current liquidity constraints and relatively stretched balance sheets. However, our estimate of 2x the reserve price for 3G and WiMAX spectrum implies valuations of just US$0.16/MHz/POP and US$0.02/MHz/POP, respectively (assuming Rs45/US$).

**Figure 1: Recent implied valuations of spectrum**

| Company | Spectrum | Frequency | No. of circles | % Stake sold | Transaction date | Valuation (US$ m) | Implied EV (US$m) | Price/MHz/POP (US$) |
|---|---|---|---|---|---|---|---|---|
| Swan | 4.4 MHz | 1800 MHz | 13 | 45% | 23-Sep-08 | 900 | 2,000 | 0.61 |
| Unitech | 4.4 MHz | 1800 MHz | 22 | 60% | 29-Oct-08 | 1,380 | 2,300 | 0.45 |
| 3G | 5 MHz | 2.1 GHz | 22 | 100% | Jan–Feb 2009 | - | | |
| BWA | 20 MHz | 2.3/2.5 GHz | 22 | 100% | Jan–Feb 2009 | - | | |

Source: Company data, Reliance Equities research.

**New entrant rollouts: Throughout 2009**

The table below highlights our current expectations for the market rollout plans of new operators which have been allotted start-up GSM spectrum over the past one year. RCOM is the farthest along with soft launch already underway across the 14 circles where it currently does not have GSM operations and commercial launches in the metros and major A circles expected in the next few weeks. We believe the entry of as many as six new players will increase competitive pressures and will lead to subscriber market share shifts over the next 12 months. We expect well funded carriers such as RCOM, Tata Teleservices and Aircel to be very aggressive in the new markets at launch.

**Figure 2: New carrier rollout plans**

| Company | Current status | Expected network rollouts |
|---|---|---|
| RCOM | Pan-India CDMA operator with GSM operations in eight circles. Total subscriber base of 59.6 million as of Nov-08. | GSM soft launches underway in 14 circles; commercial launch in metros and other major circles expected in next few weeks. Pan-India comprehensive coverage by mid-2009. |
| Aircel | Pan-India GSM spectrum. Currently operates in nine cirlces and has a susbcriber base of 15.4 million as of Nov-08. | Expected to launch in the Mumbai, Delhi, Haryana and UP (W) circles in 4Q FY09. The company will rollout pan-India coverage by year-end CY09. |
| Tata Teleservices | Pan-India CDMA operator with GSM spectrum in 12 circles. Total subscriber base of 31 million as of Nov-08. | Company has awarded a managed services network contract to Nokia Siemens for nine circles and to Huawei for the remainder, and is expected to rollout GSM service in all 12 circles by mid-2009. |
| Idea Cellular | GSM network in 13 circles under the Idea brand; recently acquired Spice, which operates in Karnataka and Punjab. Combined subscriber base of 36.5 million. | Expects to launch network in TN and Orissa in 4Q FY09, followed by Kolkata in the followinng quarter. |
| Datacom | GSM spectrum in seven circles. No coverage at present. | We expect no rollouts from these new operators until 2Q FY10 (July-Sep '09). Swan and Shyam Tele have (Requests for Information (RFIs) outstanding, and we expect at least another 2–3 months before network contracts are awarded. |
| Unitech Wireless | Pan India GSM license with spectrum in 16 circles. No coverage at present. | |
| Loop Telecom | GSM spectrum in eight circles. No coverage at present. | |
| Shyam Telelink | Pan-India CDMA spectrum (except Delhi/Mumbai). Already operates in Rajasthan with a subscriber base of 0.3 million. | |
| Swan Telecom | GSM licence in 13 circles. No coverage at present. | |

Source: Reliance Equities research, Company data.

**Mobile number portability: August 2009 in metros, Circle A; Feb-10 all India**

We believe the consensus view is underestimating the likelihood of mobile number portability (MNP) being implemented in India in 2009. However, based on our conversations with government officials, we believe the Department of Telecommunications (DOT) is committed to MNP. The recently released 3G memorandum also reiterates DOT's commitment to MNP to encourage new foreign operators to bid in the upcoming auction. The following table shows the timeline that DOT has released, which suggests MNP will be implemented in the metros/Circle A by August 2009.

**Figure 3: Key dates to watch in the MNP process**

| Events | Important dates |
|---|---|
| Start of sale of tender document | 26-Nov-08 |
| Pre-bid conference. | 17-Dec-08 |
| Last date for submission of bids | 6-Jan-09 |
| Opening of pre-qualification bids | 6-Jan-09 |
| Announcement of pre-qualified bidders | 16-Jan-09 |
| Announcement of successful bidder and issuance of Letter of Intent (LoI) | 5-Feb-09 |
| **Launch of MNP in metro and category A circles** | **Within six months of receiving the LoI (Aug-09)** |
| **Launch of MNP in rest of the country** | **Within a year of receiving the LoI (Feb-10)** |

Source: DOT, Reliance Equities research.

We believe the launch of MNP could cause industry churn to increase significantly from our current estimate of 3.3% per month. The launch of new operator networks concurrent with the implementation of MNP could cause further disruption in the industry. We expect no material increase in advertising and marketing spend from incumbents as a result of MNP although the thrust of the marketing message could change towards issues such as footprint and quality of service. However, maintenance costs per user and network expenses could increase as carriers staff up to handle an expected increase in calls into customer care centres and improve the quality of service. Net-net, we expect MNP to negatively impact operator margins in the near term.

**Pay TV: Tough economics set to become more challenging in the near term**

RCOM and Bharti have recently entered the Pay TV market through DTH services. The Indian DTH market, with an estimated 10.5 million subscribers as of November 2008 is still nascent (roughly 9% of total TV households), and is set to grow exponentially over the next few years as several new operators have launched services. We expect total DTH households to double over the next year to roughly 22 million and further ramp to 45 million subscribers by end-CY12.

RCOM, which launched its service in mid-August, announced on 20 November that it had reached the 1 million subscribers mark within just three months of launch. The company has rolled out its service across 4,000 towns in India taking advantage of its vast distribution reach. Meanwhile, Bharti has not disclosed subscriber data since its launch in early October. However, we believe the company has been more measured in its launch to date, as it had some initial operating glitches. We believe these have now been ironed out and the company is set to make an aggressive push into the DTH space in CY09.

The following table outlines key operating metrics for DISH TV, the only publicly traded DTH operator in India. As the table illustrates, EBITDA margins after three years of operations are still at -50%, which is an indicator of the challenging economics for the business in India (largely a function of a highly price sensitive consumer).

**Figure 4: Dish TV economics**

| Units as shown | |
|---|---|
| Total subscribers ('000s) | 4,500 |
| Net adds ('000s) * | 258 |
| Churn (per month) | 0.5% |
| ARPU (Rs) | 157 |
| CPGA (Rs) | 2,601 |
| Cash cost/user/month (Rs) | 99 |
| EBITDA margin | -50.4% |

Source: Company data, Reliance Equities research.
Note: CPGA = Cost per gross add.; Data as of 2Q FY09

We believe Pay TV economics will continue to remain tough as new operators launch services. For instance, Sun Direct, which had concentrated operations in the South, launched pan-India operations on 8 December at very aggressive pricing (see table below).

**Figure 5: Comparison of current DTH offers**

| Company | Equipment/install-ation fee (Rs) | Promotion |
|---|---|---|
| DishTV | 2,290 | 165 channels free for 3 months; Rs 275/month plus tax therafter |
| Tata Sky | 2,499 | No free months; comparable package is Rs 260/month for 114 channels |
| Sun Direct | 1,499 | Five-month subscription to 110 channels (including FM) free; Rs 99/month therafter |
| Big TV | 1,990 | No free months; Rs 280 plus tax for roughly 110 channels |
| Airtel Digital TV | 2,500 | Three-month subscription of 127 channel platinum pack free; Rs 424/month therafter |

Source: Company data, Reliance Equities research.

### Estimating dilution from Pay TV for Bharti and RCOM

We believe Pay TV economics for Bharti and RCOM will be better than standalone competitors given the two are established brands and their ability to leverage an extensive distribution reach. However, even if we assume a 40% reduction in CPGA and a 25% reduction in cash cost per user, it would imply significant EBITDA and margin dilution in the near-term (see Figure 6).

### Key assumptions for Bharti and RCOM's Pay TV businesses

- Subscriber monthly net add run rate: 300,000
- Monthly churn: 0.5%
- CPGA: Rs 1,560 (60% of DISH TV)
- Cash cost per user: Rs 74 (75% of DISH TV)

**Figure 6: Potential net impact from Pay TV business**

Units as shown

| | Bharti FY10E | | RCOM FY10E | |
|---|---|---|---|---|
| | **Current estimates** | **With DTH** | **Current estimates** | **With DTH** |
| Revenue (Rs m) | 447,824 | 453,032 | 296,083 | 303,151 |
| Revenue growth (%) | 21.1 | 22.5 | 26.4 | 29.4 |
| | | | | |
| EBITDA (Rs m) | 181,304 | 178,146 | 122,235 | 119,956 |
| EBITDA growth (%) | 20.1 | 18.0 | 25.8 | 23.5 |
| | | | | |
| Margin (%) | 40.5 | 39.3 | 41.3 | 39.6 |
| EPS (Rs) | 53.96 | 53.20 | 27.62 | 26.02 |

Source: Company data, Reliance Equities estimates.

Note that Bharti's EPS impact from DTH will be lower since the listed company only owns 40% economic interest in the DTH operations with the remaining 60% held at Bharti Enterprises.

## Are premiums to global telcos justified?

As the table below illustrates, Indian telcos trade at significant premiums to global peers, with Bharti being the most richly valued major telecom stock in the world. We believe a premium is justified given higher expected growth rates for Indian telcos but the magnitude of the premium could be at risk given expected headwinds.

**Figure 7: Global valuation comparison**

Units as shown

| | | Rtng | CMP | TP | Market | Enterprise | P/E (x) | | EPS growth | | EV/EBITDA | | EBITDA growth | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (LC) | (LC) | cap (US$ m) | value (US$ m) | FY1E | FY2E | FY1E | FY2E | FY1E | FY2E | FY1E | FY2E |
| **India** | Bharti Airtel | Sell | 722 | 732 | 29,009 | 30,283 | 16.6x | 13.4x | 23.3% | 23.9% | 9.3x | 7.4x | 38.0% | 25.5% |
| | RCOM | NR | 216 | NA | 9,456 | 16,281 | 7.9x | 7.8x | 10.2% | 0.4% | 7.1x | 5.6x | 18.5% | 25.8% |
| | Idea Cellular | Sell | 53 | 51 | 3,469 | 4,953 | 14.9x | 15.3x | -10.1% | -2.7% | 10.3x | 7.4x | 28.0% | 39.8% |
| **Asia** | China Mobile * | NR | 72 | NA | 210,870 | 185,224 | 12.7x | 11.4x | 34.7% | 11.6% | 5.8x | 5.2x | 10.8% | 10.8% |
| | China Unicom * | NR | 9 | NA | 31,955 | 31,483 | 13.5x | 14.4x | 23.6% | -5.7% | 3.8x | 3.1x | 73.7% | 20.1% |
| | NTT Docomo | NR | 170,000 | NA | 85,798 | 85,809 | 14.3x | 14.0x | 9.8% | 2.5% | 4.6x | 4.7x | 5.7% | -2.5% |
| | SK Telecom * | NR | 218,000 | NA | 13,691 | 16,234 | 13.3x | 10.5x | NM | 26.7% | 5.2x | 4.7x | -1.4% | 10.4% |
| **EU, LAT, EM** | America Movil * | NR | 22 | NA | 55,378 | 65,120 | 11.9x | 9.8x | 10.4% | 21.3% | 5.8x | 5.4x | 13.7% | 8.3% |
| | MTN * | NR | 100 | NA | 19,218 | 25,274 | 11.7x | 8.8x | 39.3% | 33.0% | 5.5x | 4.5x | 33.4% | 21.4% |
| | Vodafone | NR | 1 | NA | 103,082 | 151,655 | 9.7x | 9.2x | 7.1% | 5.9% | 6.8x | 6.5x | 7.9% | 4.7% |
| | Orascom * (in US$) | NR | 5 | NA | 4,689 | 9,893 | 3.1x | 7.2x | 56.5% | -57.2% | 4.3x | 4.1x | 6.1% | 4.5% |
| **US** | AT&T * | NR | 28 | NA | 163,354 | 238,534 | 9.8x | 9.8x | 2.5% | 0.1% | 5.4x | 5.3x | 4.6% | 1.6% |
| | Verizon * | NR | 33 | NA | 94,588 | 173,581 | 13.0x | 12.3x | 7.8% | 5.6% | 5.6x | 5.2x | 4.2% | 7.7% |

Source: Reliance Equities estimates for Bharti and Idea; Bloomberg for the rest.
Note: * = December year-end; FY1 = FY08E and FY2 = FY09E.

## Valuations and price targets

**Bharti Airtel:** Our 12-month SOTP-based price target for Bharti is Rs 732, equivalent to our fair value per share for the company, which comprises Bharti's stake in Indus at Rs 101 and the DCF value of the core business (including Infratel ex-Indus) at Rs 631.

## Figure 8: DCF valuation and SOTP fair value

Rs in million except per share data

| | FY08 | FY09E | FY10E | FY11E | FY12E | FY13E | FY14E | FY15E | FY16E | FY17E | FY18E | FY19E | FY20E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBIT (1-t) | 66,515 | 91,693 | 110,303 | 120,476 | 127,729 | 137,265 | 141,282 | 144,315 | 139,265 | 136,142 | 133,789 | 138,592 | 143,393 |
| Depreciation | 37,261 | 45,619 | 54,519 | 70,085 | 85,807 | 101,673 | 117,281 | 132,839 | 148,049 | 162,639 | 176,261 | 189,018 | 200,633 |
| Less: Cash capital exp. | (138,467) | (136,414) | (115,961) | (124,984) | (125,719) | (128,336) | (129,148) | (130,160) | (129,762) | (128,605) | (126,463) | (128,055) | (130,878) |
| Less: Working capital | 15,471 | (1,277) | (1,828) | 6,068 | 5,099 | 595 | (1,832) | 2,295 | 1,490 | 1,060 | 615 | 525 | 336 |
| **Free cash flow** | **(19,220)** | **(378)** | **47,033** | **71,644** | **92,915** | **111,196** | **127,583** | **149,289** | **159,043** | **171,237** | **184,202** | **200,080** | **213,483** |

| | |
|---|---|
| Discount rate | 12.4% |
| PV of FCF, FY09–19E | 676,301 |
| Terminal value | 2,551,186 |
| PV of terminal value | 893,220 |
| Corporate value | **1,569,521** |
| Net debt | 66,797 |
| Equity value | **1,502,724** |
| Public market discount | 20% |
| Market value of equity | 1,202,179 |
| Share O/S (FD) (m) | 1,907 |
| Core bus. shr price (Rs) | 631 |
| Indus Tower value (Rs) | 109 |
| Min. int. (11% of Infratel) | (6.9) |
| **Fair value (Rs)** | **732** |

| | Weight | Cost | Tax rate | A/T cost | Wtd. cost |
|---|---|---|---|---|---|
| Debt | 20% | 12.0% | 33.0% | 8.0% | 1.6% |
| MV equity | 80% | 13.5% | 0.0% | 13.5% | 10.8% |
| WACC | | | | | **12.4%** |

| Check: | |
|---|---|
| m | 12.0x |
| r | 12.4% |
| g | 4.00% |
| cf | 213,483.3 |
| v | 2,551,186 |
| Beta | 95.0% |
| Risk free rate | 7.75% |
| Mkt prem. | 6.0% |
| Cost of equity | 13.5% |

Source: Company data, Reliance Equities estimates.

## Figure 9: Sensitivity to terminal wireless margins and capex/revenue ratio

| | Terminal wireless capex/revenue | | | | |
|---|---|---|---|---|---|
| **Terminal margin** | **7.6%** | **8.6%** | **9.6%** | **10.6%** | **11.6%** |
| **25.5%** | 738 | 725 | 712 | 699 | 685 |
| **26.5%** | 749 | 735 | 722 | 709 | 696 |
| **27.5%** | 759 | 745 | 732 | 719 | 706 |
| **28.5%** | 769 | 756 | 742 | 729 | 716 |
| **29.5%** | 779 | 766 | 753 | 739 | 726 |

Source: Reliance Equities estimates.

## Figure 10: Sensitivity to WACC and terminal growth rate

| | Terminal growth | | | | |
|---|---|---|---|---|---|
| **WACC** | **3.0%** | **3.5%** | **4.0%** | **4.5%** | **5.0%** |
| **10.4%** | 885 | 921 | 963 | 1,013 | 1,071 |
| **11.4%** | 777 | 803 | 832 | 865 | 904 |
| **12.4%** | 692 | 711 | 732 | 756 | 783 |
| **13.4%** | 624 | 639 | 654 | 672 | 691 |
| **14.4%** | 569 | 580 | 592 | 605 | 619 |

Source: Reliance Equities estimates.

**Idea Cellular:** Our 12-month SOTP-based price target for Idea is Rs 51 comprising a DCF value of Rs 22 for the core business (assuming a WACC of 13.1% and terminal growth of 4.0%) and Rs 29 for the company's stake in Indus.

**Figure 11: DCF valuation and SOTP fair value**

Rs in million except per share data

| | FY08 | FY09E | FY10E | FY11E | FY12E | FY13E | FY14E | FY15E | FY16E | FY17E | FY18E | FY19E | FY20E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBIT (1-t) | 12,532 | 18,014 | 18,063 | 22,686 | 26,352 | 30,371 | 33,692 | 37,409 | 40,295 | 42,102 | 45,454 | 48,559 | 51,678 |
| Depreciation | 8,768 | 7,158 | 13,461 | 16,623 | 18,960 | 20,445 | 20,664 | 20,015 | 19,396 | 18,763 | 18,097 | 17,358 | 16,528 |
| Less: cash capital exp. | (54,994) | (75,123) | (60,704) | (55,524) | (49,825) | (43,947) | (34,563) | (28,698) | (30,416) | (31,933) | (33,422) | (34,730) | (35,996) |
| Less: working capital | 1,998 | (19,046) | 9,379 | 8,521 | 6,981 | 5,637 | 4,494 | 4,301 | 3,304 | 2,820 | 2,725 | 2,298 | 2,184 |
| **Free cash flow** | **(31,695)** | **(68,997)** | **(19,801)** | **(7,694)** | **2,468** | **12,506** | **24,286** | **33,027** | **32,579** | **31,751** | **32,853** | **33,486** | **34,394** |

| | |
|---|---|
| Discount rate | 13.1% |
| PV of FCF, FY10–20E | 98,881 |
| Terminal value | 378,453 |
| PV of terminal value | 110,623 |
| Corporate value | 209,504 |
| Net debt | 91,235 |
| Minority interest | 27,040 |
| Equity value | 91,229 |
| Public market discount | 20% |
| Market value of equity | 72,983 |
| Share o/s (FD) | 3,282.8 |
| Core business value/shr (Rs) | 22.2 |
| Indus Tower value/shr (Rs) | 28.6 |
| Fair value/TP (Rs) | **51** |

| | Weight | Cost | Tax rate | A/T cost | Wtd. cost |
|---|---|---|---|---|---|
| Debt | 20% | 12.0% | 33.0% | 8.0% | 1.6% |
| MV equity | 80% | 14.4% | 0.0% | 14.4% | 11.5% |
| WACC | | | | | **13.1%** |

| Check: | |
|---|---|
| m | 11.0x |
| r | 13.1% |
| g | 4.00% |
| cf | 34,394 |
| v | 378,453 |
| Beta | 110.0% |
| Risk free | 7.75% |
| Mkt prem | 6.0% |
| Cost of Eq. | 14.4% |

Source: Reliance Equities estimates.

**Figure 12: Sensitivity to terminal wireless margins and capex/revenue ratio**

| | | Terminal wireless capex/revenue | | | | |
|---|---|---|---|---|---|---|
| | 51 | 8.0% | 9.0% | 10.0% | 11.0% | 12.0% |
| Terminal margin | **21.8%** | 52 | 49 | 46 | 43 | 40 |
| | **22.8%** | 55 | 52 | 49 | 46 | 43 |
| | **23.8%** | 57 | 54 | 51 | 48 | 45 |
| | **24.8%** | 59 | 56 | 53 | 50 | 47 |
| | **25.8%** | 61 | 58 | 55 | 52 | 49 |

Source: Reliance Equities estimates.

**Figure 13: Sensitivity to WACC and terminal growth rate**

| | | Terminal growth | | | | |
|---|---|---|---|---|---|---|
| | 51 | 3.0% | 3.5% | 4.0% | 4.5% | 5.0% |
| WACC | **11.1%** | 63 | 66 | 68 | 71 | 75 |
| | **12.1%** | 55 | 57 | 58 | 61 | 63 |
| | **13.1%** | 48 | 49 | 51 | 52 | 54 |
| | **14.1%** | 43 | 44 | 45 | 46 | 47 |
| | **15.1%** | 38 | 39 | 40 | 41 | 42 |

Source: Reliance Equities estimates.

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## Key to REIPL recommendations

**Buy** = Expected return more than +15%
**Sell** = Expected return +15% or less
All returns calculated over a 12-month period (including dividend).

## DISCLOSURES

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