

Stock Update Bharti Airtel Ltd.

Nov 21, 2022





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Telecom	Rs. 837	Buy in the Rs. 829- 845 band & add more on dips to Rs. 747-761 band	Rs. 916	Rs. 983	2 quarters

HDFC Scrip Code	BHAAIR
BSE Code	532454
NSE Code	BHARTIARTL
Bloomberg	BHARTI IN
CMP Nov 18, 2022	837
Equity Capital (Rs Cr)	2781.6
Face Value (Rs)	5.0
Equity Share O/S (Cr)	556.3
Market Cap (Rs Cr)	465,642.5
Book Value (Rs)	131.0
Avg. 52 Wk Volumes	8,189,126
52 Week High	851.7
52 Week Low	629.1

Share holding Pattern % (Sept, 2022)	
Promoters	55.1
Institutions	40.6
Non Institutions	4.3
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Bharti Airtel is an integrated telecom company, has presence in India, Africa, Middle East and Bangladesh, offering mobile, broadband, fixed-line telephone, DTH (direct-to-home) and enterprise services. Bharti has a healthy subscriber base and revenue market share with a pan-India network. Bharti Airtel's spectrum holding is robust and has strong capability to provide 2G, 3G, 4G and now 5G services. Over the years, Bharti Airtel has expanded its spectrum holding by acquiring spectrum through auctions. Mobile segment contributed 72% of revenue and 28% came from Non mobile business in FY22.

We believe that going forward there's a strong case for increase in tariffs and expect that average revenue per user (ARPU) could rise to Rs. 200/month by end FY23 vs. ARPU of Rs 190 in Q2FY23. In the longer term, the company targets ARPU of Rs. 300/month. Apart from future 5G rollout, unlike Reliance JIO, Airtel has an inherent advantage of a large 2G and 3G customer base, operating at significantly lower ARPU which will eventually transition to 4G which will be APRU accretive. Besides, we expect Airtel's revenue market share in the domestic wireless business to improve to 37% in FY24 from 35.4% in FY22. An improvement in its domestic wireless business ARPU will generate high incremental EBITDA margin and free cash flow to support future investments.

Over the last 5-7 quarters, the company has raised a sizeable quantum of funds in the form of equity and equity linked instruments, along with monetization of stake in some businesses. The company also has an extensive access to financial markets and has a demonstrated track record of raising funds as and when needed. Recently, the company approved its plan to raise further capital of Rs 21,000 cr through rights issue to be raised in three yearly instalments. It raised Rs 5300 crore in FY22 and Rs 7900 crore each are assumed to be received each in FY23E and FY24E.

On 07 Oct, 2021, we had issued a stock update report on Bharti Airtel Ltd ([Link](#)) and recommend to buy in the Rs 669-681 band and add further on dips to Rs. 605-617 band for base case target of Rs 733 and bull case target of Rs 798. The stock achieved its base case target before expiry of the period. Given healthy growth outlook and expectation of strong set of numbers in H2FY23, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

India's wireless telecom services industry was in a downturn from FY16 after the onset of new competition (Reliance Jio) until FY19. It has been in a revival phase since late 2019. The government's relief measures over the last two years such as deferred spectrum payments, reduction in spectrum usage charges, a moratorium of four years on spectrum and adjusted gross revenue payments have catalysed the revival in the industry. The consolidation of market share within the two strong players also helped. Since the industry revival phase began, revenues have started to move up and FY22 revenues returned to FY16 levels. We expect this growth phase to continue beyond FY22, driving



superior growth rates over the next five years compared with the last five. We expect Airtel revenues to grow 2x by FY25 from FY20 to Rs 1.65 lac crore. Its ARPU could rise from Rs 163 in FY22 to Rs 225 in FY25 compared with the industry's average from Rs 131 in FY22 to Rs 185 in FY25.

Airtel is in a strong position to gain from the industry's average revenue per user growth of 50% over the next four-five years, supported by an attractive market structure with two strong players and two weak players, along with favorable regulations. However, full fledge mobile business entry by Adani group for retail customers, delays in tariff hikes, difficulty in huge debt servicing, and elevated capex/regulatory payouts could be the concern areas for the company.

We believe the base case fair value of the stock is Rs 916 (8.3x FY24E EV/EBITDA) and the bull case fair value of the stock is Rs 983 (8.75x FY24E EV/EBITDA) over the next two quarters. Investors can buy in Rs 829-845 band and add further on dips in the Rs 747-761 band (7.2x FY24E EV/EBITDA). At the LTP of Rs 837, the stock is trading at 7.7x FY24E EV/EBITDA.

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	34527	28326	21.9	32805	5.2	84,677	100,616	116,547	141,382	155,636
EBITDA	17594	13811	27.4	16529	6.4	34,253	45,372	57,534	71,893	79,763
Depreciation	8947	8247	8.5	8781	1.9	27,094	29,404	33,091	35,674	39,375
Other Income	559	1430	-60.9	355	57.4	1,536	643	534	657	623
Interest Cost	4940	3964	24.6	4511	9.5	14,073	15,091	16,616	19,649	17,968
Tax	1286	1031	24.8	1123	14.5	-12,182	9,246	4,178	5,254	7,028
RPAT	2979	1998	49.1	2469	20.7	6,804	-7,727	4,183	11,973	16,015
APAT	2145	1134	89.1	1607	33.5	-30,858	-15,084	4,255	7,782	10,410
Diluted EPS (Rs)	3.9	2.0	89.1	2.9	33.5	-55.5	-27.1	7.6	14.0	18.7
RoE-%						-41.5	-22.2	6.8	10.5	11.7
P/E (x)						-15.1	-30.9	109.4	59.8	44.7
EV/EBITDA (x)						17.1	13.5	10.8	8.8	7.7

(Source: Company, HDFC sec)

Change in Estimates

Rs in Cr	FY23E		FY24E
	Old	New	New
Revenue	1,24,329	141382	155636
EBITDA	53461	71893	79763
APAT	6341	7782	10410
EPS	11.6	14.0	18.7



Q2FY23 Result Update

- Bharti Airtel numbers were above expectations in Q2FY23; the company reported strong business momentum led by leading operational indicators. Consolidated revenue grew by 21.9% YoY to Rs 34,527 crore in Q2FY23, driven by rapidly increasing demand for data, connectivity related solutions, and CPaaS (Communication Platform as a Service).
- EBITDA was up by 27.4% YoY to Rs 17,594 crore and EBITDA margin ramped up by 220bps YoY to 51% in Q2FY23. Net profit (adj) grew by 89.1% YoY and stood at Rs 2145 crore in Q2FY23, supported by healthy operating profit.
- On segment wise performance, Mobile services from India revenues (contributed 52.8% of revenue) grew by 24.8% YoY on account of increase in 4G customer base and increase in ARPU. Mobile Service from Africa (contributed 29.1% of revenue) increased by 21.6% YoY, led by an increase in ARPU and strong 4G customer additions. Mobile Service from South Asia (contributes 0.2% of revenue) decreased by 27.5% YoY in Q2FY23. Airtel Business (contributed 13% of revenue) increased by 16.8% YoY, on the back of robust demand for data portfolios and emerging businesses. Home Services (contributed 2.8% of revenue) increased by 39% YoY, led by strong customer additions. Digital TV Services (contributed 2% of revenue) declined by 8.7% YoY, Digital TV continued to hold its strong market position.
- As on September 30, 2022, the company had Homes Services operations in 1,060 cities (including LCOs). Average mobile data usage per customer increased by 8.9% YoY to 20.3 GB/month as compared to 18.6 GB/month in the corresponding quarter last year.
- As on Sept 30, 2022, the company had its Digital TV operations in 639 districts. The customer base of the company stood at 15.8 Mn at the end of Q2FY23, vis-à-vis 16.3 Mn in the corresponding quarter last year.
- Average revenue per user (ARPU) continued to be best in industry as Q2FY23, ARPU came in at Rs 190 vs. Rs 183 in Q1FY23, Rs 178 in Q4FY22, Rs 163 in Q3FY22, Rs 153 in Q2FY22 and Rs 146 in Q1FY22 on a comparable basis.
- Consolidated capex spend in the quarter was Rs 7,046 crore out of which capex in India stood at Rs 5,684 crore while Africa contributed the capex of Rs 1,362 crore in the quarter.
- Consolidated net debt excluding lease obligations for the company stood at Rs 1,57,277.6 crore as on September 30, 2022, compared to Rs 1,31,341.2 crore as on September 30, 2021. Consolidated net debt for the company including the impact of leases stands at Rs 209,641.9 crore.
- Bharti Airtel paid Rs 8312.4 crore to the Department of telecom (DoT) towards dues for spectrum acquired in the recently concluded 5G auctions. Airtel has paid 4 years of spectrum dues upfront.

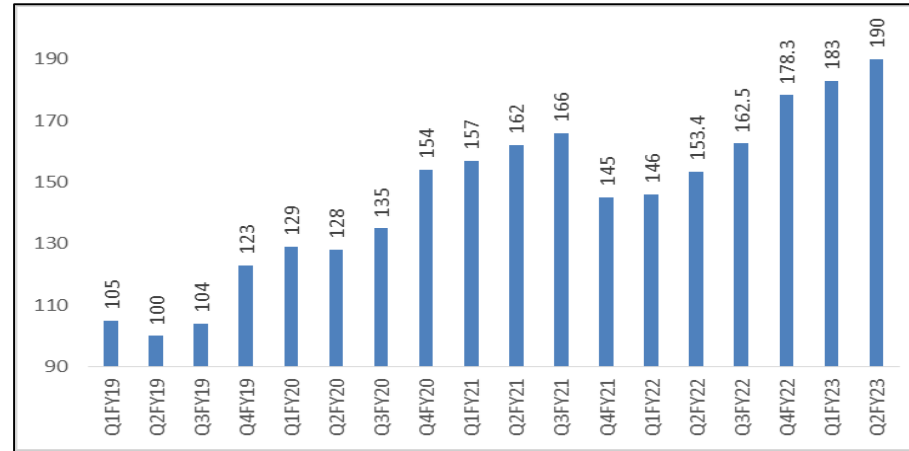
Key Updates

Industry leading ARPU and expectation of further rise due to tariff hike

Bharti Airtel has the highest ARPU for India mobile services in the industry. The prepaid tariff rates hike by up to 25% with effect from November 26, 2021 improved the ARPU and further expected rise in in tariffs / ARPU could increase its cash flow generation over the medium term Airtel's ARPU rose to Rs 190 in Q2FY23 compared with Rs 153 in Q2 of last year and Rs 183 in the preceding quarter.



Quarterly ARPU (Rs)



As of Sept 30, 2022, overall customer base at ~501 Mn across 16 countries (up 4.8% YoY). The company had 327.8 Mn customers in Mobile Services in India as on Sept 30, 2022 vs. 323.5 Mn as on Sept 30, 2021. The company had an aggregate customer base of 134.7 Mn in Africa as compared to 122.7 Mn in the corresponding quarter last year, an increase of 9.7% YoY. 4G data customer base stood at 210.3 Mn, increased by 5.0 Mn QoQ and 17.8 Mn YoY. We expect, ARPU could further rise to Rs 195 in Q2FY23.

Bharti Airtel intends to reach its target of Rs 300 (ARPU) in five years. It expects the next tariff hike which is pending this year to drive the company's APRU to Rs 200 mark. Compared to global benchmarks, India has lowest prices (tariff charges). We expect more space to improve telecom industry ARPU going forward.

5G network could bring more opportunity to garner revenue

Post taking the 5G spectrum, capex for 5G infrastructure in 2023-2024 will replace current 4G capex, as 4G coverage is largely complete. Airtel will also seek to strengthen its fibre infrastructure by connecting towers with fibre and backhaul infrastructure to prepare its network to launch 5G services in 2023-2024. Bharti Airtel has made an upfront payment of Rs 8,312.4 crore to the telecom department towards dues for spectrum bought in recent auctions. The payment amounts to four years of instalment on spectrum dues totalling Rs 43,040 crore that the carrier is scheduled to pay over 20 years, the term of the license period.

Airtel conducted India's first 5G trial in the 700 MHz band in partnership with Nokia, as Airtel has been allotted test spectrum in multiple bands. 5G deployment using 700Mhz spectrum is helping communications service providers across the world to cost-effectively provide mobile broadband in remote areas, where typically it is challenging for them to set up the network infrastructure. The company is likely to focus on for site addition in 5G when capacity addition is required after 4-5 years and rolling out of 5G and rural focus could see elevation



of capex as well as advancement of capex from FY24-25 to FY23-24. Airtel has 120-plus data centres which are pan-India—through Nxtra, the largest network of data centres in India. Airtel will not buy 5G network equipment from Chinese vendors and will instead use equipment from European vendors such as Nokia and Ericsson, as well as openRAN-based 5G network.

For 5G infrastructure, Airtel has signed definitive agreement and deal with various vendors, technology companies to strengthen and develop the platform. Bharti Airtel has registered more than 1 million unique 5G users on its network in less than 30 days of the commercial launch of the service even as it expands its network in Delhi, Mumbai, Chennai, Bengaluru, Hyderabad, Siliguri, Nagpur and Varanasi. By March 2023, Airtel expects the percentage of 5G users in total subscriber base to reach high-single-digit figure in areas where the technology is available. India has 8% devices which are 5G-ready and this will grow significantly by March 2023.

- In Feb, 2021, Bharti Airtel and Qualcomm Technologies announced their intention of accelerating 5G in India, Airtel is using Qualcomm's 5G RAN Platform to roll out virtualized and open Radio Access Network (RAN)-based 5G networks in India. Airtel and Qualcomm also plan to enable an array of use cases, including 5G Fixed Wireless Access (FWA).
- In July, 2021, Airtel announced a collaboration with Intel for 5G network development by leveraging vRAN / O-RAN technologies. As members of the O-RAN Alliance, Airtel and Intel will work closely for developing a range of Make in India 5G solutions and enabling world-class telecom infrastructure in India through local partners. Open radio access network (O-RAN) will be an area of tremendous innovation and creativity in the coming years.
- On Nov 10, 2021, Oracle and Airtel have extended their partnership to support the growth of India's digital economy by bringing a range of industry leading cloud solutions to more than 1 million enterprise customers. To support the increasing demand for cloud services in India, Oracle will expand its India West (Mumbai) region capacity with Nxtra by Airtel – the data centre subsidiary of Airtel. The expanded Oracle Cloud Mumbai Region will be available in 2022. Nxtra by Airtel operates India's largest data centre network of 10 hyper data centres and 120 edge data centres and plans to invest Rs. 5000 cr (USD 760 million) by 2025 to expand capacity by 3X to over 400 MW. As part of the collaboration, Airtel Business and Oracle will also jointly market Oracle Cloud solutions to enterprise customers in the private and public sectors.
- In Dec, 2021, Airtel partnered with TCS to test solutions for a range of Industry 4.0 use cases for the Indian market. TCS announced the successful testing of innovative use cases from TCS' Neural Manufacturing™ solutions suite on Airtel's ultra-fast and low latency 5G network. Airtel and TCS joined forces to test 5G based use cases from TCS's Neural Manufacturing suite of solutions.
- On March 31, 2022, Airtel and Tech Mahindra has announced a strategic partnership to build and market innovative solutions for India's digital economy by bringing together their core strengths. Airtel and Tech Mahindra will co-develop and market 5G use cases in India. Airtel has been spearheading 5G demos and testing in India while Tech Mahindra has developed world-class 5G applications and platforms. Airtel and Tech Mahindra will set up a joint 5G innovation lab for developing Make in India use cases for the Indian and global markets. Airtel and Tech Mahindra will also offer secure Cloud and Content Delivery Network (CDN) solutions to



businesses. Further, the two companies will explore leveraging Tech Mahindra's technological expertise to support Airtel in Cloud Engineering, implementation of tools for Cloud Orchestration.

- In April, 2022. Digital infrastructure services provider Summit Digitel has partnered with Bharti Airtel (Airtel), wherein, Airtel will utilise the company's tower infrastructure as part of its wireless network rollouts. By combining transformational business values with focus on future-ready technologies, Summit manages over 151,000 active sites. While providing nationwide coverage for 4G, the towers are strategically located for the implementation of 5G.
- In April, 2022, Airtel has conducted India's first open radio access network (Open RAN)-based 5G network validation on 3500 MHz band test spectrum allocated by the department of telecom (DoT), together with Mavenir, a telecom network software provider. The two companies (Airtel and Mavenir) conducted open RAN based 5G non-standalone (NSA) validation in Chandigarh and Mohali, over the 3500 MHz band spectrum allotted to Airtel by the Department of Telecommunications (DoT) for testing purposes.
- In Aug 06, 2022, Bharti Airtel has signed 5G network agreements with Ericsson, Nokia and Samsung to commence 5G deployment in August 2022. Airtel has had a long-standing relationship for connectivity and Pan-India managed services with Ericsson and Nokia while the partnership with Samsung will begin this year onwards. The 5G partnerships follow closely on the heels of spectrum auctions conducted by the Department of Telecom in India, where Airtel bid for and acquired 19867.8 MHz spectrum in 900 MHz, 1800 MHz, 2100 MHz, 3300 MHz, and 26 GHz frequency.
- In Sept 09, 2022, IBM and Bharti Airtel, announced their intent to work together to deploy Airtel's edge computing platform in India, which will include 120 network data centers across 20 cities. Once deployed, the platform is designed to enable large enterprises across multiple industries including manufacturing and automotive to accelerate innovative solutions that deliver new value to their clients and operations -- securely at the edge.

Healthy and diversified operations in Africa and non-mobile businesses in India

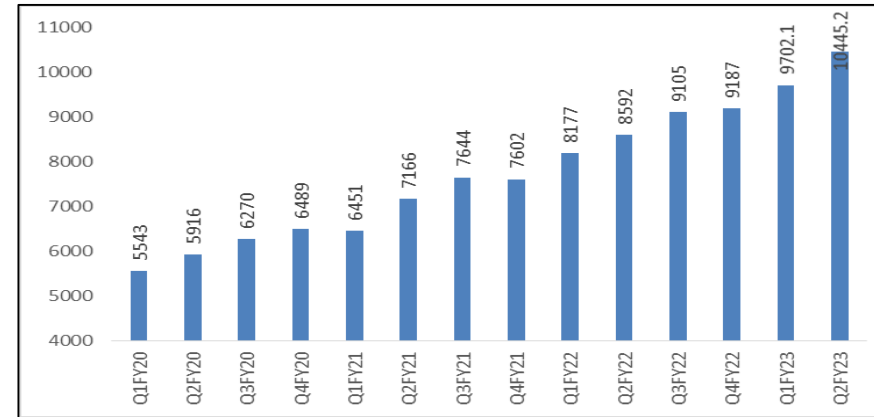
Airtel has reported steady improvement in performance of African operations over last few quarters driven by growth in data uptick and several cost optimisation initiatives by the company. The consistent improvement in Africa operations is demonstrated by increase in revenue on account of rising ARPUs and increasing subscriber base.

Airtel Africa's revenue for the quarter ended September 30 rose 12.7% YoY and 4% sequentially to US\$ 1308mn. Mobile Service from Africa (contributed 29.1% of revenue) increased by 21.6% YoY, led by an increase in ARPU and strong 4G customer additions. Bharti Airtel's Africa business reported a net profit of \$152 million for the fiscal second quarter, a 21% fall from a year ago, dragged by higher finance costs amid higher foreign exchange and derivative losses. Operating performance of other businesses in India — digital television, broadband, fixed line and Airtel business services — has also remained strong with a healthy EBITDA margin. This, along with improvement in the mobile business in India, shall continue to generate strong cash accrual.

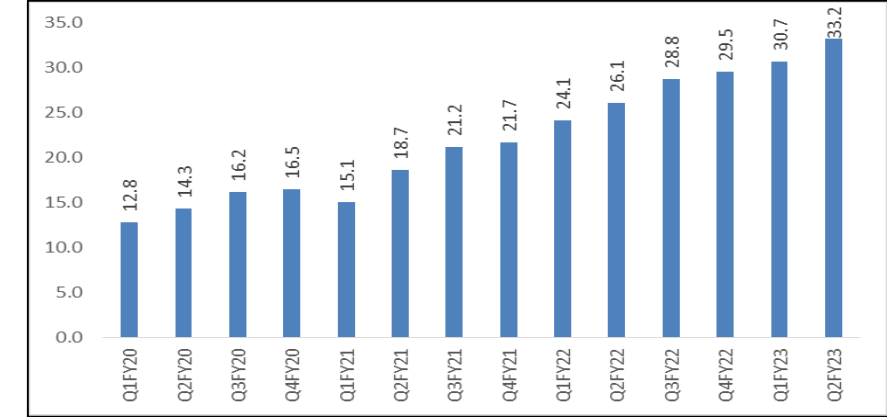


Mobile Services Africa

Revenue (Rs, Cr)



PBITM (%)



Google investment plan in Bharti Airtel to bring other commercial arrangement going forward.

Google and Airtel have executed an Investment Agreement (IA) per which the Acquirer proposes to acquire a minority and non-controlling stake of 1.28% of equity share capital. Along with the IA, the acquirer and the target through their affiliates have also entered into certain commercial deals. The body added that the companies also intend to enter into certain other commercial arrangements in future. Google had said in January this year that it will invest up to \$1 billion in India’s No 2 telecom services provider Airtel through an equity purchase of 1.28% for \$700 million and commercial agreement of \$300 million on mutual terms over the next five years.

Investment in non-mobile business

Airtel strengthened its non-mobile business portfolio through innovations in CPaaS and Airtel Secure. The company continued to invest over Rs 20,400 crores into capex across its network, Data Centres, Submarine cable capacities and digital. The company strengthened its partnerships – the Hughes Airtel JV, the investments into Lavelle for SDWAN, Aquiliz for block chain, Oracle for Data Centers and Google as a strategic equity partner. The company has targeted Rs 40-50,000 cr market for C PaaS, Data Center, Cyber Security are new opportunity areas. In connectivity as well, significant opportunities exist in B2B space in Tech, Banking, IT-ITES. Home broadband is also a growing opportunity.

Bharti Airtel launched India’s first multiplex on the Partynite Metaverse platform. The Xstream multiplex is an extension of Airtel’s Xstream Premium offering, which recently crossed a 2-million subscriber milestone within 100 days of its launch. Airtel’s Xstream multiplex will be a 20-screen platform with access to content portfolios from leading OTT partners available on the application.

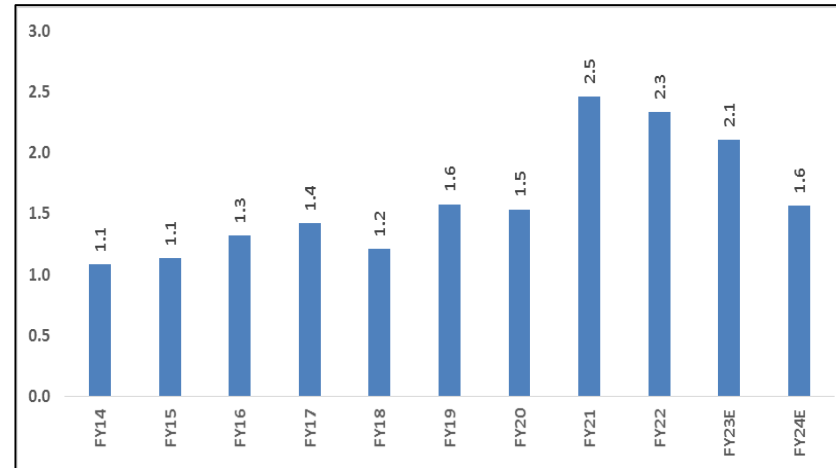
On Feb 25, 2022, Bharti Airtel Ltd agreed to buy Vodafone Group Plc’s 4.7% stake in India’s largest cell tower firm Indus Towers Ltd. Britain’s Vodafone said it was looking to sell its entire 28.1% stake in Indus Towers.



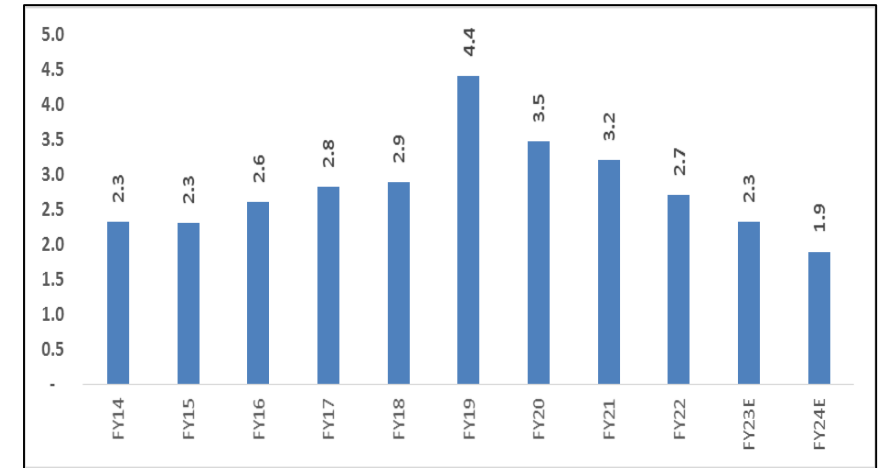
Strong financial visibility

- Airtel reported revenue CAGR at 13% over the FY19 to FY22. Revenue rose by 16% in FY22 and EBITDA by 20%. Growth was broad-based with a strong performance in the enterprise and home broadband segments. We expect the group's revenue growth at a CAGR of 15.5% over the FY22-FY24E on continued improvement in the Indian wireless market and strong growth in the African markets and EBITDA at a CAGR of 17.7% over the FY22-FY24E
- The consolidated EBITDA margins continued to improve to 49.4% in FY22 vs. 45.1% in FY21 and 40.5% in FY20, owing to higher ARPU in the India mobility business, better operating efficiencies for other businesses and the improving margins of the Africa business.
- It's consolidated net debt including lease obligations stood at Rs 169,678 cr as on March 31, 2022 vs. Rs 162,785 cr as on March 31, 2021. The Net debt to EBITDA ratio on reported basis (annualized) as on 31st March, 2022 stood at 3.2x. We expect it could go down to 2.3x and 1.9x in FY23E and FY24E respectively. Debt to equity stood at 2.3x in FY22 and we expect it to decline to 2x and 1.6x in FY23E and FY24E, respectively.

Net Debt to Equity (x)



Net Debt/EBITDA (x)



(Source: Company, HDFC sec)

- Bharti had cash and equivalents of Rs 13,700 crore at end-Sept 2022 and undrawn committed facilities. Liquidity was boosted by the completion of a Rs 21000 crore equity rights issue, of which 25% was called in October 2021. The rights issue was fully subscribed and fully underwritten by the promoter group.
- Bharti Airtel is consistent on paying dividend to its shareholders, except FY21.

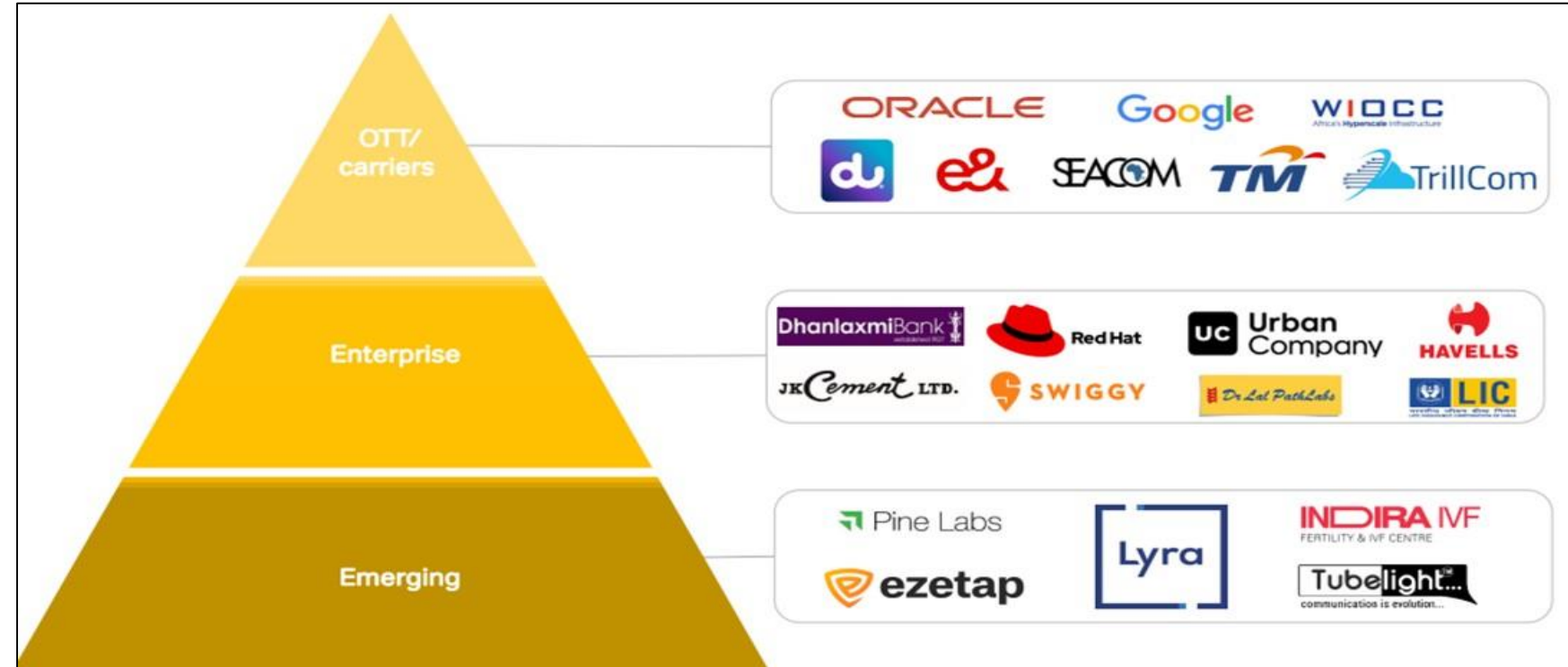


What could go wrong?

- The competition in the Indian telecommunications industry has remained elevated over the last few years leading to pressure on realisations for all players. Although the competitive intensity by the new player (R-Jio) has reduced lately, any intensification of this could hurt Bharti Airtel in terms of revenues and margins. Absence of regular tariff hikes has led to low return ratios for Bharti Airtel.
- The Adani group announced its foray in industrial 5G space after acquiring 400 MHz of spectrum in the 5G airwaves auction that concluded in early August 2022. The group acquired spectrum worth Rs 212 crore in millimetre wave (26 GHz) band. The Adani group will digitally integrate its businesses, link data centres, build globally largest industrial cloud operations and develop a super app to offer a suite of services across its 400-million customer base. Adani Data Networks, a unit of Adani Group, in Oct 2022 received a unified license from the Department of Telecommunications (DoT) in six circles — Andhra Pradesh, Gujarat, Karnataka, Rajasthan, Tamil Nadu, and Mumbai. These are the six circles where the company bought spectrum in the mm-wave band during the 5G auctions. With this licence, it is eligible to carry long-distance calls on its network and offer internet services. This could result in intensified competition for India's top telecom players like Bharti Airtel, Reliance Jio in future, who may see hit on their potential revenue from enterprise services as well as from airwaves leasing.
- The telecom industry remains susceptible to regulatory and technological changes. New technology could necessitate fresh investments or overhaul of the existing networks. Furthermore, telecom is a highly regulated market.
- Bharti Airtel has wide presence in multiple geographies across the globe. In Africa alone, operations are spread across 14 markets, with the top five countries accounting for about 60% of the total revenue. Each market has its own regulatory environment and distinct consumer behavior patterns. Besides, adverse currency fluctuations against the INR could impact its revenue as well as earnings.
- Investment in Telecom industry is capital intensive in nature, Airtel has invested in significant capex for acquiring spectrum, though with the advanced technology incremental expenditure on network equipment is expected to be limited. Further, rise in capex could impact its cash flow of business and rise in interest cost due to raising the debt fund for capex purpose could impact its profitability.
- Airtel has started investing towards 5G capabilities including fibre and networks. Any delay on 5G rollout and execution could impact its earnings as well as profitability going forward.
- Airtel has informed to the Department of Telecom for deferment of payment of adjusted gross revenue dues up to FY19, for a period of four years. The company will not avail the option of conversion of interest dues into equity. The DoT had asked telecom operators to pay AGR dues for two additional financials. Further delay to pay AGR dues could impact investor's sentiment towards the stock.
- Globally telecom companies have underperformed in the past few years due to low-single digit growth in revenue and EBITDA, capital-intensive nature of the business, fast technology changes, sub-par return ratios, high competitive intensity and capital allocation strategies.
- The recent sharp rise in crude oil prices could increase its fuel cost and profitability could see a hit in near to medium term.
- ARPU hikes have been difficult off late due to shortage of entry level smartphones (that help users to graduate from 2G to 3G/4G) given the chip shortage.



Customers (B2B)



Key Performance Indicators

Particulars	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Bharti India Wireless																	
ARPU - Rs	100	104	123	129	128	135	154	157	162	166	145	146	153.4	162.5	178.3	183	190
Total subscribers (mn)	333	284	283	277	279	283	284	280	294	308	321	321	323.5	322.9	326	327	328
Data Subscribers (mn)	98	108	115	120	124	138	149	149	162	175	189	193	200	203	208.4	213	219
Monthly Churn (%)	4.1	7.3	2.8	2.6	2.6	2.6	2.6	2.2	1.7	1.9	2.2	2.8	3	2.9	2.8	3	3.3
Data Traffic (b mb)	2,660	3,217	3,705	4,192	4,829	5,547	6453	7240	7640	8454	9207	10771	11270.8	11311.8	11849.3	11561	11271
GBs/month	9.2	10.5	11.0	11.9	13.1	13.9	15.0	16.7	16.4	16.8	16.8	18.9	19.1	18.7	19.2	19.5	20.3
Bharti Airtel Africa																	
Mobile Subscrs(mn)	94	98	99	100	104	107	111	111	116	119	118	121	122.7	125.8	128.4	131.6	134.7
ARPU -USD	3	2.8	2.6	2.5	2.5	2.7	2.7	2.6	2.8	2.9	3	2.8	2.8	3	2.9	2.9	3.1



Revenue Mix Performance

Revenue-%	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Mobile Services India	54.0	54.8	51.2	46.6	50.0	52.2	52.3
Mobile Services Africa	24.2	21.3	21.1	24.1	26.3	27.1	29.0
Mobile Services South Asia	1.6	1.1	0.4	0.5	0.5	0.4	0.3
Airtel Business	9.3	10.6	12.6	14.0	14.4	13.5	13.3
Homes Services	2.4	2.7	2.8	2.5	2.4	2.2	2.5
Digital TV Services	2.8	3.3	4.2	4.6	3.2	2.9	2.6
Others	0.3	0.4	0.4	0.1	0.0	0.0	0.0
Revenue from Operations	100	100	100	100	100	100	100

PBIT Margin-%

Margin-%	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Mobile Services India	22.9	18.7	4.5	-13.7	-6.8	5.9	12.6
Mobile Services Africa	2.0	4.6	18.8	24.4	26.6	28.6	33.3
Mobile Services South Asia	-38.9	-39.7	-31.3	-24.1	-23.2	-31.1	-62.6
Airtel Business	19.4	20.8	27.3	22.2	24.1	27.6	28.0
Homes Services	22.7	25.0	18.7	15.1	23.1	22.6	19.2
Digital TV Services	6.3	10.4	14.1	18.2	39.0	36.8	28.3

(Source: Company, HDFC sec)



Financials (Consolidated)

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	84677	100616	116547	141382	155636
Growth (%)	4.8	18.8	15.8	21.3	10.1
Operating Expenses	50423	55244	59013	69489	75872
EBITDA	34253	45372	57534	71893	79763
Growth (%)	33.9	32.5	26.8	25.0	10.9
EBITDA Margin (%)	40.5	45.1	49.4	50.9	51.3
Depreciation	27094	29404	33091	35674	39375
EBIT	7159	15967	24443	36219	40388
Other Income	1536	643	534	657	623
Interest expenses	14073	15091	16616	19649	17968
PBT	-5378	1519	8361	17227	23043
Tax	-12182	9246	4178	5254	7028
RPAT	6804	-7727	4183	11973	16015
APAT	-30858	-15084	4255	7782	10410
Growth (%)	-4159.8	-51.1	-128.2	82.9	33.8
EPS	-55.5	-27.1	7.6	14.0	18.7

Balance Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	2728	2746	2795	2860	2929
Reserves	74417	56207	63759	78165	94187
Shareholders' Funds	77145	58953	66554	81025	97115
Long Term Debt	115447	135669	142591	182591	166591
Net Deferred Taxes	-25328	-18476	-17476	-20710	-24367
Long Term Provisions & Others	10027	15886	12655	13851	15170
Minority Interest	24985	22274	25381	29571	35176
Total Source of Funds	202275	214306	229705	286328	289686
APPLICATION OF FUNDS					
Net Block (inc. CWIP)& Goodwill	233538	229206	250038	294803	297278
Other Non-Current Assets	23582	41982	41665	34991	37547
Total Non Current Assets	257120	271189	291703	329794	334825
Inventories	157	266	375	387	426
Trade Receivables	4606	3638	4056	5810	6396
Cash & Equivalents	29661	17544	14412	37967	28730
Other Current Assets	42220	33305	33185	29866	34346
Total Current Assets	76643	54753	52028	74031	69899
Short-Term Borrowings	32781	27116	27087	22087	13087
Trade Payables	25023	27872	29274	34861	38376
Other Current Liab & Provisions	73683	56648	57665	60548	63576
Total Current Liabilities	131488	111636	114026	117496	115039
Net Current Assets	-54844	-56883	-61998	-43465	-45139
Total Application of Funds	202275	214306	229705	286328	289686

(Source: Company, HDFC sec)



Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	-42,847	-3,118	12,483	17,227	23,043
Non-operating & EO items	38,450	5,873	-3,459	-657	-623
Interest Expenses	13,726	14,930	16,524	19,649	17,968
Depreciation	27,690	29,709	33,091	35,674	39,375
Working Capital Change	-16,596	3,043	-1,447	14,574	4,680
Tax Paid	-2,294	-2,233	-2,175	-17,227	-23,043
OPERATING CASH FLOW (a)	18,129	48,205	55,017	69,240	61,400
Capex	-20,585	-27,114	-42,364	-73,500	-30,000
Free Cash Flow	-2,456	21,091	12,652	-4,260	31,400
Investments	-10,247	-2,512	89	5,606	-3,519
Non-operating income	340	2,737	406	657	623
INVESTING CASH FLOW (b)	-30,492	-26,888	-41,870	-67,237	-32,897
Debt Issuance / (Repaid)	-8,103	-8,560	-860	35,000	-25,000
Interest Expenses	-13,726	-14,930	-16,524	-19,649	-17,968
FCFE	-24,285	-2,399	-4,732	11,091	-11,568
Share Capital Issuance	44,847	-110	7,902	8,465	7,419
Dividend	-1,113	0	-1,669	-1,698	-1,669
Other	-4,774	-6,421	-7,643	-657	-623
FINANCING CASH FLOW (c)	17,131	-30,021	-18,794	21,460	-37,841
NET CASH FLOW (a+b+c)	4,768	-8,704	-5,647	23,463	-9,337

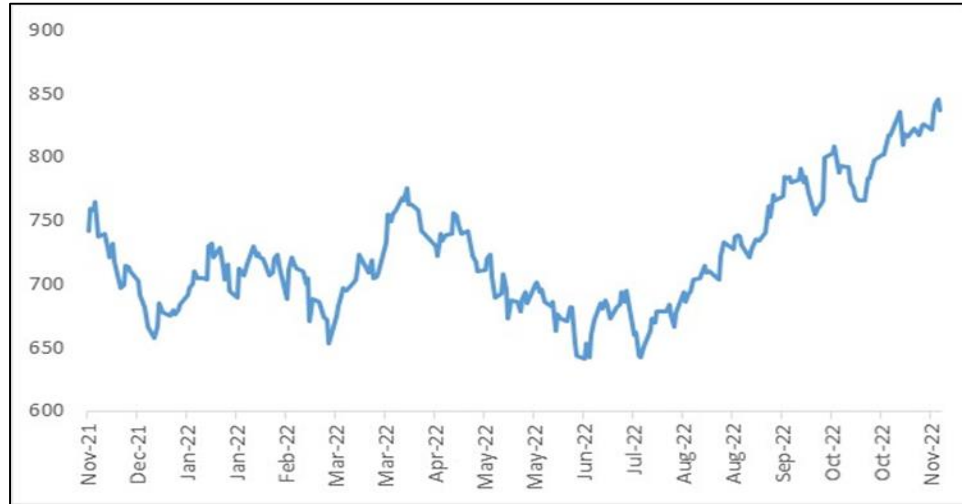
Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
Profitability Ratio (%)					
EBITDA Margin	40.5	45.1	49.4	50.9	51.3
EBIT Margin	8.5	15.9	21.0	25.6	26.0
APAT Margin	-36.4	-15.0	3.7	5.5	6.7
RoE	-41.5	-22.2	6.8	10.5	11.7
RoCE	-15.6	-7.3	2.2	3.5	4.4
Solvency Ratio (x)					
Debt/EBITDA	3.5	3.2	2.7	2.3	1.9
Net D/E	1.5	2.5	2.3	2.1	1.6
PER SHARE DATA (Rs)					
EPS	-55.5	-27.1	7.6	14.0	18.7
CEPS	-6.8	25.7	67.1	78.1	89.5
BV	145.6	106.0	119.6	145.6	174.6
Dividend	2.0	0.0	3.0	3.0	3.0
Turnover Ratios (days)					
Debtor days	20	13	13	15	15
Inventory days	1	1	0	0	0
Creditors days	108	101	92	90	90
VALUATION (x)					
P/E	-15.1	-30.9	109.4	59.8	44.7
P/BV	5.7	7.9	7.0	5.7	4.8
EV/EBITDA	17.1	13.5	10.8	8.8	7.7
EV / Revenues	6.9	6.1	5.3	4.5	4.0
Dividend Yield (%)	0.2	0.0	0.4	0.4	0.4

(Source: Company, HDFC sec)



One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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