

In-line but healthy, tariff increase key trigger

- Bharti reported healthy Q1FY21 led by 2% QoQ increase in ARPU despite Covid impact. Computed ARPU (net of inter-segment) was flat QoQ, yet strong. Consolidated revenue/EBITDA increased by 0.8/2% QoQ. Adjusted for accounting change in DTH segment in Q4FY20, revenue/EBITDA is broadly flat QoQ.
- We appreciate Bharti's in-market execution and the clarity on thoughts and strategy to drive the market share and growth. Bharti remains well-capitalized and good-positioned irrespective of the outcome on AGR liabilities or industry structure (viz. best of both worlds). Reiterate BUY with TP of Rs 660 @ 10/7x FY22E EV/EBITDA for India Wireless/Africa.
- Bharti's TP sensitivity to ARPU is significantly higher viz. ~Rs 40/sh for every Rs 10 change in ARPU @ 10x EV/EBITDA. Management remains upbeat of Rs 200 ARPU in short-term and Rs 300 in medium-term. This would be led by higher proportion of postpaid subscriber additions, 2G to 4G migration, customer segmentation, ancillary revenue streams etc. That said, tariff increase is inevitable and key trigger for ARPU growth. We believe this is feasible and inescapable for healthy industry structure. A positive verdict from SC wrt defer payment option over 10/15 years for AGR liabilities and/or a potential price increase in Q2FY21 are potential near term catalyst.

Financial highlights

Bharti's consolidated revenues stood at Rs 239.4bn, +0.9% QoQ; EBITDA at Rs 104.1bn, +2%. Margin stood at 43.5% (+47bps QoQ). India mobile business ARPU surprised positively with 2% growth QoQ (computed flat) vs. expectation of 3-4% decline on account of Covid, impact on recharges by migrant labours and lower international roaming revenue. This we believe is partly due to flow-through of tariff increase of Dec'19. In absence of tariff increase ARPU growth we expect to be muted from hereon. It will be a key dampener. Bharti provided Rs 117.bn towards AGR liabilities and Rs 68bn for deferred tax, MAT and Vivad Se Vishwas scheme.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	239,387	207,379	15.4	237,227	0.9
Total Expense	135,308	124,491	8.7	135,206	0.1
EBITDA	104,079	82,888	25.6	102,021	2.0
Depreciation	72,268	67,587	6.9	70,550	2.4
EBIT	31,811	15,301	107.9	31,471	1.1
Other Income	4,805	746	544.1	994	383.4
Interest	34,562	31,815	8.6	33,076	4.5
EBT	(115,403)	(30,462)	278.8	(70,651)	63.3
Tax	38,175	(6,070)	(728.9)	(20,335)	(287.7)
RPAT	(159,331)	(28,199)	465.0	(52,001)	206.4
APAT	(159,331)	(28,199)	465.0	(52,001)	206.4
			(bps)		(bps)
Gross Margin (%)	88.3	87.6	66	88.1	22
EBITDA Margin (%)	43.5	40.0	351	43.0	47
NPM (%)	(66.6)	(13.6)	(5296)	(21.9)	(4464)
Tax Rate (%)	(33.1)	19.9	(5301)	28.8	(6186)
EBIT Margin (%)	13.3	7.4	591	13.3	2

CMP	Rs 553
Target / Upside	Rs 660 / 19%
BSE Sensex	37,719
NSE Nifty	11,102

Scrip Details

Equity / FV	Rs 27,276mn / Rs 5
Market Cap	Rs 3,015bn
	USD 40bn
52-week High/Low	Rs 612/Rs 321
Avg. Volume (no)	21,329,100
NSE Symbol	BHARTIARTL
Bloomberg Code	BHARTI IN

Shareholding Pattern Jun'20(%)

Promoters	56.2
MF/Banks/FIs	18.4
FII	20.2
Public / Others	5.2

Valuation (x)

	FY20A	FY21E	FY22E
P/E	(125.1)	211.2	31.5
EV/EBITDA	11.5	9.1	7.2
ROE (%)	(43.3)	(19.9)	14.1
RoACE (%)	8.8	4.6	8.7

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	875,390	994,109	1,109,466
EBITDA	366,181	445,931	531,704
PAT	(24,097)	14,273	95,614
EPS (Rs.)	(4.4)	2.6	17.5

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Other key takeaways

- **Exceptional charge of Rs 154bn**

Bharti too an exceptional charge of Rs 154bn in Q1FY21 comprising of (1) re-assessment of regulatory cost based on a recent judgement on OTSC and other matters of Rs 10bn (2) Incremental provision and interest on license fee and spectrum charges wrt AGR dues of Rs 107.5bn and (3) Rs 48.1bn for MAT credit reversal, Rs 20.3bn for deferred tax charge write-off partly offset by reversal of current tax liability for earlier years of Rs 1.3bn and tax benefit on exception charge in point 1&2 above of Rs 30.7bn. Thus net exceptional tax costs was Rs 36.5bn.
- **Covid impact revenues:** Revenues during Q1FY21 were impacted on three counts viz. nil international roaming revenue which is not expected to recover in a hurry (~1-1.5% impact in our view), consolidation of sim at bottom-end of the customers and weak 4G adds due to non-availability of smartphones. Bharti's loss of 4mn customers has been in lower-end and in feature phone segment.
- **Commercial rollout of 5G still away**

Bharti management categorically stated that 5G commercial roll-out is atleast couple of years away. This is on account of ecosystem to evolve wrt spectrum pricing, equipment's, lower-priced handsets, use cases etc R&D and lab testing wrt 5G has started gathering pace and Bharti too is working on it. Nevertheless, it is in no hurry or has plans to have a first-mover advantage. Current spectrum pricing doesn't justify the business case for 5G in management view.

Bharti will prefer to bid for <1GHz when it comes up for auction especially in the west and northern circles (Mumbai/Maharashtra, MPCG, Haryana etc).
- **Costs rationalization accelerated**

Bharti's costs structure is an efficient one with its war on waste program. During the quarter company had further savings led by renegotiation of rental costs for stores, lower marketing, selling and distribution costs (too partly rebound as situation normalizes), digital recharges (70% vs. 35% pre-Covid leading to savings in commission), customer service costs etc
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- **Mgmt comments of Rs 300 ARPU for 15% ROCE is interesting & soothing:**

Bharti management for third consecutive quarter highlighted on call that Rs 200 ARPUs would enable to make just nominal ROCEs. ARPUs in the medium term needs to move towards Rs 300 for a reasonable 15% ROCEs. This would enable to make investments in technologies (both current and future) to provide better offerings and quality of services for customers.

Management did highlight that the current tariff structure needs to change to push ARPU towards Rs 300. Today everyone with capability to pay Rs 500/1000 also pays Rs 200. More buckets of price architecture with additional benefits for higher ARPU customers is likely to evolve in our view.

We remain hopeful of another price increase. However, we expect it to be in Q3FY21. Nevertheless, the tariff hike of Dec'19 has flowed down well with the consumers without any significant down trading and/or customer churn. This is key positive. Bharti reported modest 0.5mn data subscriber and 2mn 4G data additions. This would have been even healthier but for Covid.

Bharti management stated that 2G-to-4G conversion, higher postpaid subscriber additions and data packs for higher usage are modest ARPU drivers. However, price increase is inevitable for ARPU uplift. Nevertheless, management refrained from calling out any timelines for potential increase. Bharti remains well-positioned from competitive standpoint and price increase will be a potential catalyst.

■ **Capacity utilization:**

Bharti management stated that it has sufficient capacity to handle the customer load led by 3G to 4G spectrum re-farming, massive MIMO, frontloading of investment in electronics, fiber laydown for core and transport network, VoWifi (already 1mn subs in month of launch), sectorisation from 3 to 4 sectors etc.

Mgmt foresees it has sufficient 4G spectrum availability to handle the data load for next 1.5-2 years except for certain dense pockets. It would prefer <1GHz especially in the challenger circles to improve the network propagation and thus the consumer experience/market share. Bharti has shut down 3G services in most of the circles. As per the management there is room to further drive the utilization levels.

Management stated that there has been visible shift in traffic from urban to rural areas due to movement of migrant labors and also from commercial hubs to residential pockets.

Exhibit 1: Actual vs. Estimates

(Rs Mn)	Actual	Estimate	Var %	Remarks
Net Sales	2,39,387	2,39,362	0.0	Numbers in line with estimates
EBITDA	1,04,079	1,04,480	(0.4)	
EBITDA Margin (%)	43.5	43.6	-17 bps	
PBT	3,720	3,194	16.5	

Source: DART

Exhibit 2: Change in estimates

	Old		New		% Chg.		Comments
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	
India Wireless							
Subscribers (Mn)	294	303	286	295	(2.5)	(2.5)	Nominal change in our consolidated revenue /EBITDA for FY22
ARPU (Rs)	163	183	156	178	(4.3)	(2.8)	
Revenue (Rs Bn)	565	656	533	621	(5.7)	(5.3)	Decline in FY21 estimate to factor in marginal delay in price increase
Consolidated							
Net Sales (Rs Bn)	1,030	1,133	994	1,109	(3.5)	(2.1)	
EBITDA (Rs Bn)	458	545	446	532	(2.7)	(2.5)	
EBITDA Margin (%)	44.5	48.1	44.9	47.9	39 bps	-20 bps	
APAT (Rs Bn)	26	99	(140)	96	(642.6)	(3.6)	
AEPS (Rs)	4.7	18.2	-25.6	17.5	(642.6)	(3.6)	

Source: Company, DART

Exhibit 1: Consolidated Quarterly Financials

Extraordinary charge includes Rs 117.5bn towards AGR and other regulatory liabilities provision

Rs Bn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	% YoY	% QoQ
Revenues	207.4	211.3	219.5	237.2	239.4	15.4	0.9
Access charges	25.6	26.4	27.1	28.3	28.0	9.3	(0.9)
Net revenue	181.8	184.9	192.4	209.0	211.4	16.3	1.2
License fees	17.9	16.8	17.7	20.2	20.8	15.8	2.8
Network costs	46.0	49.7	49.3	52.0	51.0	11.1	(1.9)
Employee Costs	8.6	9.5	9.7	10.3	11.6	33.9	12.1
SG&A	26.3	20.4	23.0	24.4	23.9	(9.1)	(2.0)
Total Opex	98.9	96.3	99.7	106.9	107.3	8.5	0.3
EBITDA	82.9	88.6	92.7	102.0	104.1	25.6	2.0
D&A	67.6	69.4	69.4	70.6	72.3	6.9	2.4
EBIT	15.3	19.3	23.3	31.5	31.8	107.9	1.1
Finance cost (net)	31.8	29.1	29.8	33.1	34.6	8.6	4.5
JV/Assc gain/(loss)	0.9	3.2	1.5	0.9	1.7	78.9	82.1
Other (inc)/exp	1.7	3.8	2.3	1.9	6.5	285.9	239.0
Profit before Tax	(15.3)	(6.2)	(4.5)	(0.1)	3.7	(124.3)	(5,792.2)
Tax expense	(6.1)	(85.0)	(10.4)	(20.3)	38.2	(728.9)	(287.7)
Xo (gain)/loss	14.7	307.1	10.5	70.0	117.5	699.4	67.7
PAT (after Xo)	(23.9)	(228.3)	(4.6)	(49.8)	(151.9)	535.0	205.2
Minority Interests	4.7	2.1	5.7	2.6	7.4	56.6	185.4
PAT (after minority interest)	(28.7)	(230.4)	(10.4)	(52.4)	(159.3)	455.9	204.2

Source: DART, Company

Exhibit 2: Margin Analysis (%)

Margin Analysis	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (bps)	QoQ (bps)
Access charges	12.4	12.5	12.4	11.9	11.7	(66)	(22)
License fees	8.6	7.9	8.0	8.5	8.7	3	16
Network costs	22.2	23.5	22.5	21.9	21.3	(84)	(61)
Employee costs	4.2	4.5	4.4	4.3	4.8	66	48
SG&A	12.7	9.7	10.5	10.3	10.0	(270)	(29)
Total Opex	47.7	45.6	45.4	45.1	44.8	(285)	(26)
EBITDA	40.0	41.9	42.2	43.0	43.5	351	47
D&A	32.6	32.8	31.6	29.7	30.2	(240)	45
EBIT	7.4	9.1	10.6	13.3	13.3	591	2
Finance costs	15.3	13.8	13.6	13.9	14.4	(90)	49
Profit before Tax	(7.4)	(2.9)	(2.1)	(0.0)	1.6	893	158
Net Income	(13.8)	(109.1)	(4.7)	(22.1)	(66.6)		

Source: DART, Company

Exhibit 3: Segment-wise Revenues

Rs Bn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	% YoY	% QoQ
Mobile	108.7	109.8	111.7	129.5	128.8	18.5	(0.6)
Home	5.7	5.5	5.5	5.7	5.8	1.4	1.1
Digital	7.4	7.9	7.9	6.0	7.4	0.8	23.4
Business	32.1	33.3	33.2	33.8	35.0	9.2	3.7
Towers	17.3	16.7	16.7	16.8	16.4	(4.9)	(2.4)
Others/Intersegment	(17.7)	(19.6)	(17.0)	(17.5)	(17.6)	(0.6)	0.3
India	153.4	153.6	158.0	174.4	175.9	14.6	0.9
South Asia	1.1	1.1	1.2	1.2	1.1	(0.1)	(9.6)
Africa	55.4	59.2	62.7	64.9	64.5	16.4	(0.6)
(-) Intersegment	(1.5)	(1.5)	(1.2)	(2.0)	(1.0)	(32.0)	(50.1)
Consolidated Total	207.4	211.3	219.5	237.2	239.4	15.4	0.9

Source: DART, Company

Adjusted for accounting change in DTH business in Q4FY20 (~Rs 1.5bn rev/EBITDA impact for prior quarters as full impact was taken in Q4), Rev/EBITDA stands flat QoQ.

Bharti in DTH segment from Q4FY20 amortizes acquisition revenue over lifecycle of customer vs. upfront accounting.

Exhibit 4: Segment-wise EBITDA

Rs Bn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	% YoY	% QoQ
Mobile	38.7	39.9	40.1	50.8	52.2	34.8	2.8
Home	2.5	2.5	3.3	3.0	3.5	39.2	16.7
Digital	5.3	5.6	5.4	3.6	5.0	(4.2)	38.2
Business	7.7	9.4	12.1	13.5	12.7	66.0	(5.6)
Towers	10.1	9.3	8.8	9.0	8.7	(13.1)	(3.2)
Others	(3.6)	(3.4)	(4.7)	(5.5)	(4.4)	21.0	(20.3)
India	60.6	63.2	65.0	74.5	77.9	28.4	4.6
South Asia	0.1	0.1	0.1	0.1	0.1	6.6	(33.2)
Africa	24.2	26.1	28.3	28.6	28.4	17.4	(0.8)
(-) Intersegment	(2.0)	(0.8)	(0.8)	(1.2)	(2.3)	13.4	86.3
Consolidated Total	82.9	88.6	92.7	102.0	104.1	25.6	2.0

Source: DART, Company

Exhibit 5: Margin Analysis

(%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (bps)	QoQ (bps)
Mobile	35.7	36.3	35.9	39.2	40.6	491	134
Home	44.2	45.1	59.5	52.6	60.7	1649	813
Digital	71.2	71.0	68.7	60.5	67.7	(354)	723
Business	23.9	28.2	36.5	39.9	36.3	1243	(359)
Towers	58.3	55.6	52.7	53.7	53.2	(501)	(44)
India	39.5	41.2	41.2	42.7	44.3	476	156
South Asia	8.5	7.6	9.2	12.2	9.0	57	(318)
Africa	43.7	44.1	45.2	44.1	44.1	39	(8)
Blended	40.0	41.9	42.2	43.0	43.5	351	47

Source: DART, Company

Exhibit 6: India Opex trend

(Rs Bn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	% YoY	% QoQ
Access charges	21.5	21.9	22.1	23.1	23.2	7.7	0.3
License fees	14.6	13.3	14.4	16.4	16.3	11.4	(0.5)
Network costs	36.0	38.6	37.7	40.6	39.2	8.8	(3.6)
Cost of goods sold	0.3	1.0	0.8	0.9	1.0	273.8	5.8
Employee costs	5.1	5.6	5.4	6.0	6.7	32.7	12.9
SG&A expenses	17.2	10.8	13.3	14.1	13.0	(24.1)	(7.7)
Total	94.6	91.2	93.7	101.1	99.4	5.0	(1.7)

Source: DART, Company

Exhibit 7: Operating Performance

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	% YoY	% QoQ
India Wireless KPIs							
Customers (Mn)	276.8	279.4	283.0	283.7	279.9	1.1	(1.3)
Net Adds (Mn)	(1.5)	2.6	3.6	0.6	(3.8)	147.8	(702.0)
Churn (%)	2.6	2.1	2.6	2.6	2.2	(44 bps)	(36 bps)
Reported ARPU (Rs)	129.3	128.0	134.9	154.1	156.8	21.3	1.8
Computed ARPU (Rs)	130.5	131.6	132.3	152.4	152.3	16.7	0.0
MOU/Subs	888	848	898	965	994	11.8	3.0
MOUs (Bn mins)	737	717	759	822	820	11.3	(0.2)
Data KPIs							
Data subs (Mn)	120.0	124.2	138.4	148.6	149.1	24.2	0.3
- MBB	95.2	103.1	123.8	136.3	138.3	45.3	1.5
As % of Total	43.4	44.5	48.9	52.4	53.3	990 bps	89 bps
Total MBs (Mn GBs)	4,192	4,829	5,547	6,453	7,240	72.7	12.2
GBs/month	11.9	13.1	13.9	15.0	16.7	39.6	11.2
DTH							
Customers (Mn)	16.0	16.2	16.3	16.6	16.8	5.1	1.4
Net Adds (000s)	634	181	101	304	226	(64.4)	(25.8)
Churn (%)	1.0	1.6	1.8	1.0	1.3	36 bps	28 bps
ARPU (Rs)*	157	162	162	123	149	(5.0)	21.3
Africa							
Customers (Mn)	99.7	103.9	107.1	110.6	111.5	11.8	0.8
Net Adds (Mn)	0.8	4.2	3.3	3.5	0.9	4.6	(75.3)
Churn (%)	5.0	4.5	5.2	5.3	5.7	70 bps	39 bps
ARPU (USD)	2.7	2.8	2.8	2.8	2.6	(4.0)	(8.1)
MOU/Subs	186	199	206	211	218	16.9	3.4
MOUs (Bn mins)	55.3	60.8	65.1	68.9	71.9	29.9	4.4

Source: Company, DART

Increase in ARPU QoQ led by tariff increase of Dec

Increase in DTH segment ARPU QoQ is on account of change in accounting of acquisition revenue in Q4FY20 over the life-cycle of the customer vs. upfront accounting earlier.

Exhibit 8: Key Model Assumptions

Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
India Wireless										
Subs (Mn)	188	206	226	251	274	304	278	284	286	295
Net Adds (Mn)	6.9	17.3	20.5	25.2	22.4	30.5	(25.8)	5.3	2.8	8.8
Implied ARPU (Rs)	194	198	201	196	180	133	119	136	156	178
Revenue (Rs Bn)	431	467	520	561	566	463	416	460	533	621
Inc. Rev (Rs Bn)	43	36	53	41	5	(103)	(47)	44	73	88
EBITDA (Rs Bn)	130	158	195	219	228	151	94	170	231	310
Inc. EBITDA (Rs Bn)	(7)	28	37	25	8	(77)	(57)	75	61	79
EBITDA Margin (%)	30.1	33.8	37.5	39.1	40.3	32.6	22.7	36.9	43.3	50.0
Africa										
Subs (Mn)	64	69	76	75	80	89	99	111	116	121
Net Adds (Mn)	11	6	7	(2)	5	9	10	12	5	6
Implied ARPU (Rs)	343	341	308	278	236	196	198	193	199	207
Revenue (Rs Bn)	240	273	269	251	220	199	223	242	271	295
Incremental Rev (Rs Bn)	42	32	(3)	(18)	(32)	(20)	24	19	28	24
EBITDA (Rs Bn)	63	71	61	47	50	66	84	107	117	120
Inc. EBITDA (Rs Bn)	10	8	(10)	(14)	4	16	18	24	10	3
EBITDA Margin (%)	26.3	26.2	22.7	18.7	23.0	33.2	37.4	44.3	43.2	40.7
Revenue (Rs bn)										
India Wireless	431	467	520	561	566	463	416	460	533	621
Home Broadband	36	39	44	25	28	25	22	22	23	23
Digital	16	21	25	29	34	38	41	29	31	35
Enterprise	53	63	67	97	109	114	125	132	143	151
Passive Infra	50	51	54	56	61	66	68	67	67	68
Others	3	3	3	3	4	3	1	0	0	0
India Business	589	645	713	771	801	708	673	711	798	898
South Asia	12	17	16	16	12	4	4	5	4	5
Wireless - Africa	240	273	269	251	220	199	223	242	271	295
Gross revenues	842	934	998	1,039	1,033	912	900	958	1,073	1,197
(-) Intersegment	(60)	(58)	(62)	(57)	(66)	(73)	(80)	(78)	-78	-88
Net revenues	782	876	936	982	966	839	821	880	995	1,109
Intersegment %	7.1	6.2	6.2	5.5	6.4	8.0	8.9	8.1	7.2	7.3
EBITDA (Rs bn)										
India Wireless	130	158	195	219	228	151	94	170	231	310
Home Broadband	15	15	18	11	13	12	11	11	14	13
Digital	0	3	7	10	12	14	16	20	21	24
Enterprise	9	14	14	30	34	42	41	43	53	57
Passive Infra	23	23	26	26	29	33	32	37	36	36
Others	(2)	(2)	(6)	(7)	(12)	(14)	(15)	(17)	-19	-19
India Business	174	210	253	289	304	238	179	263	337	421
South Asia	0	0	(0)	(1)	0	0	0	0	0	1
Wireless - Africa	63	71	61	47	50	66	84	107	117	120
Gross EBITDA	237	281	314	336	354	304	263	371	454	541
(-) Intersegment	(5)	(4)	(2)	4	(1)	(3)	(5)	(5)	-8	-10
Net EBITDA	233	278	312	340	353	301	258	366	446	532
Intersegment %	2.0	1.3	0.8	(1.3)	0.3	1.1	1.8	1.3	1.8	1.8
EBITDA Margin %										
India Wireless	30.1	33.8	37.5	39.1	40.3	32.6	22.7	36.9	43.3	50.0
Home Broadband	41.1	37.5	40.7	42.5	47.2	46.7	48.3	50.4	58.5	57.8
Enterprise	2.8	16.1	27.3	34.2	35.6	37.9	38.3	68.3	68.4	69.2
Passive Infra	16.6	21.8	20.9	31.3	31.0	37.4	32.6	32.2	37.3	37.6
DTH	45.1	44.7	47.4	47.1	48.0	49.1	47.6	55.1	53.9	52.4
India Business	29.6	32.6	35.5	37.5	37.9	33.6	26.7	37.0	42.2	46.9
Wireless - Africa	26.3	26.2	22.7	18.7	23.0	33.2	37.4	44.3	43.2	40.7
Net EBITDA	29.7	31.7	33.3	34.6	36.6	35.9	31.5	41.6	44.8	47.9

Source: Company, DART

Exhibit 9: Valuation Summary - SOTP

Segments	FY22E EBITDA (Rs Bn)	FY22E EBITDA/ Share (Rs)	Multiple (x)	Enterprise Value (Rs Bn)	Value Per Share (Rs)
India Wireless	310.4	53.7	10.0	3,104	569
Telemedia services	13.3	2.3	7.5	100	18
Enterprise	56.5	9.8	7.5	424	78
DTH	23.9	4.1	10.0	239	44
Others*	(28.3)	(4.9)	8.0	(227)	(42)
IndAS 116 impact	(51.3)	(8.9)	10.0	(513)	(94)
Sub-total	324.5	56.2	9.6	3,127	573
(-) Net Debt excl IndAS 116 and Africa				(502)	(92)
Passive Infra**				248	45
India business value				2,373	527
Africa Plc**				277	51
Base case Value Per Share (Rs)				2,649	577
Incremental upside from positive industry developments*					82
Target Price Share (Rs)					660
CMP (Rs)					550
Upside/(Downside) %					19.9

Source: DART, Company * Others include South Asia, Corporate costs etc; ** Passive Infra is basis BHIN TP of Rs 247 for Bharti's 55% holding; *** Africa valuation is as under. We haven't valued Africa as per the listed entity Mcap as it trades at ~4x EV/EBITDA

Exhibit 10: Valuation Summary - Consolidated

	Remarks
FY22E EBITDA (Rs bn)	532
Multiple (x)	8.0
Enterprise Value (Rs bn)	4,254
Net debt (Rs bn)	974
Equity Value Value (Rs bn)	3,280
O/s shares (bn)	5.5
Value per share (Rs)	601
Incremental upside from positive industry developments	82
Target Price Share (Rs)	683
CMP	550
Upside/(Downside) %	24.3

Source: DART, Company

Exhibit 11: Valuation Summary - Africa

	Remarks
Africa EBITDA (Rs Bn)	120.0
IndAS 116 impact (Rs Bn)	13.4
Africa EBITDA net of IndAS impact (Rs Bn)	106.6
Target multiple (x)	7.0
Africa EV (Rs Bn)	746.0
(-) Net debt (Rs Bn)	242.5
Equity Value (Rs Bn)	503.5
Bharti holding (%)	55.00
Equity Value for Bharti (Rs Bn)	276.9
Hold Co discount (%)	0%
Africa Equity Value for Bharti (Rs Bn)	276.9
Value per share (Rs)	51

Source: DART, Company

Exhibit 12: Potential upside/downside from scenarios that may pan out

Scenarios	Impact/sh (Rs)	Probability (%)	Impact/sh (Rs)
Assuming no meaningful relief from Govt and Voda-Idea shut-down			
Upside from Idea subs (viz. 40% or 120mn)	254	20%	51
Value loss in BHIN	(50)	20%	(10)
Higher than expected ARPU by Rs 20 in FY22 viz. Rs 206	104	40%	42
Incremental impact	307		82

Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	810,683	875,390	994,109	1,109,466
Total Expense	552,494	509,209	548,178	577,762
COGS	93,521	107,395	99,480	72,804
Employees Cost	37,975	38,072	47,271	51,040
Other expenses	420,998	363,742	401,427	453,918
EBIDTA	258,189	366,181	445,931	531,704
Depreciation	213,475	276,896	286,715	266,412
EBIT	44,714	89,285	159,215	265,292
Interest	95,894	123,820	118,256	96,019
Other Income	1,018	1,890	14,933	14,188
Exc. / E.O. items	29,288	(402,344)	(117,457)	0
EBT	(20,874)	(434,989)	(61,565)	183,461
Tax	(34,193)	(121,823)	58,253	65,543
RPAT	4,095	(321,832)	(139,672)	95,614
Minority Interest	12,780	15,190	25,048	26,108
Profit/Loss share of associates	3,556	6,524	5,195	3,805
APAT	4,095	(24,097)	14,273	95,614

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	19,987	27,276	28,884	28,884
Minority Interest	135,258	249,847	266,174	292,282
Reserves & Surplus	694,235	744,171	600,677	696,291
Net Worth	714,222	771,448	629,560	725,175
Total Debt	1,254,283	1,482,281	1,391,296	1,309,678
Net Deferred Tax Liability	99,492	117,149	144,082	164,533
Total Capital Employed	2,203,255	2,620,725	2,431,112	2,491,668

Applications of Funds

Net Block	2,104,657	2,335,378	2,242,961	2,188,102
CWIP	0	0	0	0
Investments	318,261	505,980	484,009	507,886
Current Assets, Loans & Advances	329,057	766,432	784,291	924,598
Inventories	0	0	0	0
Receivables	43,006	46,058	58,758	69,155
Cash and Bank Balances	127,287	296,606	342,568	474,695
Loans and Advances	0	0	0	0
Other Current Assets	158,764	423,768	382,964	380,748
Less: Current Liabilities & Provisions	548,720	987,065	1,080,149	1,128,919
Payables	280,031	250,199	256,448	277,588
Other Current Liabilities	268,689	736,866	823,700	851,331
	<i>sub total</i>			
Net Current Assets	(219,663)	(220,633)	(295,858)	(204,321)
Total Assets	2,203,255	2,620,725	2,431,112	2,491,668

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	88.5	87.7	90.0	93.4
EBIDTA Margin	31.8	41.8	44.9	47.9
EBIT Margin	5.5	10.2	16.0	23.9
Tax rate	163.8	28.0	(94.6)	35.7
Net Profit Margin	0.5	(36.8)	(14.1)	8.6
(B) As Percentage of Net Sales (%)				
COGS	11.5	12.3	10.0	6.6
Employee	4.7	4.3	4.8	4.6
Other	51.9	41.6	40.4	40.9
(C) Measure of Financial Status				
Gross Debt / Equity	1.8	1.9	2.2	1.8
Interest Coverage	0.5	0.7	1.3	2.8
Inventory days	0	0	0	0
Debtors days	19	19	22	23
Average Cost of Debt	7.8	9.0	8.2	7.1
Payable days	126	104	94	91
Working Capital days	(99)	(92)	(109)	(67)
FA T/O	0.4	0.4	0.4	0.5
(D) Measures of Investment				
AEPS (Rs)	0.8	(4.4)	2.6	17.5
CEPS (Rs)	39.9	46.3	55.2	66.4
DPS (Rs)	2.5	2.0	0.0	0.0
Dividend Payout (%)	333.0	(45.3)	0.0	0.0
BVPS (Rs)	130.9	141.4	115.4	132.9
RoANW (%)	0.6	(43.3)	(19.9)	14.1
RoACE (%)	3.7	8.8	4.6	8.7
RoAIC (%)	2.2	4.1	7.2	12.9
(E) Valuation Ratios				
CMP (Rs)	553	553	553	553
P/E	736.3	(125.1)	211.2	31.5
Mcap (Rs Mn)	3,015,122	3,015,122	3,015,122	3,015,122
MCap/ Sales	3.7	3.4	3.0	2.7
EV	4,142,118	4,200,797	4,063,850	3,850,105
EV/Sales	5.1	4.8	4.1	3.5
EV/EBITDA	16.0	11.5	9.1	7.2
P/BV	4.2	3.9	4.8	4.2
Dividend Yield (%)	0.5	0.4	0.0	0.0
(F) Growth Rate (%)				
Revenue	(1.9)	8.0	13.6	11.6
EBITDA	(14.2)	41.8	21.8	19.2
EBIT	(58.7)	99.7	78.3	66.6
PBT	(194.6)	1983.9	(85.8)	(398.0)
APAT	(62.7)	(688.5)	(159.2)	569.9
EPS	(62.7)	(688.5)	(159.2)	569.9
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	435,239	264,363	411,535	524,744
CFI	(451,180)	(677,679)	(145,395)	(214,980)
CFF	7,544	582,634	(220,178)	(177,637)
FCFF	86,623	(243,254)	217,237	313,190
Opening Cash	135,684	127,287	296,606	342,568
Closing Cash	127,287	296,605	342,568	474,695

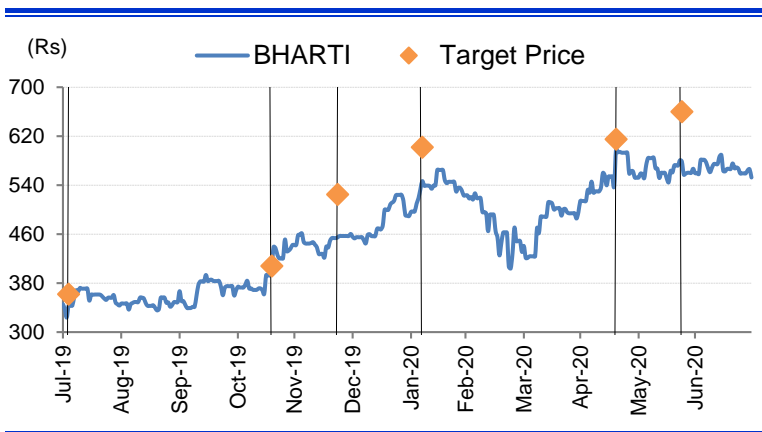
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-19	Reduce	362	344
Nov-19	Reduce	408	409
Dec-19	Buy	525	455
Feb-20	Accumulate	602	547
May-20	Reduce	615	599
Jun-20	BUY	660	579

*Price as on recommendation date

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