




Bharti Airtel

Estimate change 
TP change 
Rating change 

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Bloomberg	BHARTI IN
Equity Shares (m)	5,456
M.Cap.(INRb)/(USD\$)	3016.1 / 41.3
52-Week Range (INR)	612 / 322
1, 6, 12 Rel. Per (%)	-9/21/59
12M Avg Val (INR M)	8716

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	875.4	999.1	1,123.3
EBITDA	366.1	446.4	528.5
Adj. PAT	-40.7	55.7	29.4
EBITDA Margin (%)	41.8	44.7	47.0
Adj. EPS (INR)	-7.5	10.2	5.4
EPS Gr. (%)	-14.6	-236.8	-47.2
BV/Sh. (INR)	141.4	123.2	128.6

Ratios

Net D:E	1.4	1.7	1.3
RoE (%)	NM	7.7	4.3
RoCE (%)	3.3	12.5	6.5
Payout (%)	0.0	0.0	0.0

Valuations

EV/EBITDA (x)	11.4	9.5	7.7
P/E (x)	NM	54.1	102.5
P/BV (x)	3.9	4.5	4.3
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-0.9	1.8	7.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	56.2	59.0	62.7
DII	18.4	15.8	13.1
FII	20.2	20.3	22.1
Others	5.2	4.9	2.1

FII Includes depository receipts

CMP: INR553

TP: INR700 (+27%)

Buy

Healthy performance despite COVID-19 crisis

- Bharti Airtel's 1QFY21 performance was better than expectations despite the COVID-19 led lockdown. India Mobile EBITDA grew 3% QoQ (10% above est.) while consol. EBITDA growth 2.4% QoQ, which reflects healthy recovery in Jun'20. Positive FCF and de-leveraging resumed with INR23b net debt reduction.
- We largely maintain our FY21/FY22E consol. EBITDA estimates. We have built in 7%/14% ARPU increase for FY21/FY22E, translating into 20% EBITDA CAGR over FY20-22E. 2QFY21 is expected to see healthy 4-5% India mobile revenue growth QoQ based on exit ARPU/subs as at 1QFY21 and 4G subs adds trajectory in Jun'20.

India wireless EBITDA up 3% QoQ (10% beat) on lower cost

- Consol. revenue was up 1% QoQ (in-line) to INR239.4b as revenue remained steady even during the lockdown.
- Consol. EBITDA was up 2.4% QoQ (in-line) to INR104.1b on stable India mobile EBITDA along with margin expansion of 60bp to 43.5%.
- Reported net loss stood at INR159.3b. Excluding exceptional, adjusted net loss after minority stood at INR4.3b (v/s -INR4.7b QoQ and est. -INR1.4b).
- Mobile India revenue in 1QFY21 was a surprise (-0.6% QoQ) at INR128.8b (5% beat). This could be attributed to stable ARPUs/subs, despite the free validity extended to ~20-25m subscribers. Nearly 2-3% revenue loss should be reversed in the next quarter.
- EBITDA was up 2.8% QoQ to INR52.2b (10% beat). This was despite the revenue decline as network/SG&A fell 4%/8% each. However, nearly two-thirds of the benefit could be reversed in the next quarter as spends post lockdown should increase.
- ARPU jumped 2% QoQ to INR157 (v/s est. INR154), despite ~2% ARPU impact due to lower recharges during the lockdown. Further, subscribers declined marginally by 3.8m, possibly due to the lockdown related impact. Impact on Bharti's subscribers was more stringent (v/s peers) as the company eliminates users that are inactive for >30 days (v/s RJio/VIL at >90 days). Moreover, 4G subs addition declined to 2m v/s average 8m historically (except for the last two quarter's steep 33m cumulative addition). Our channel checks suggest that healthy subs adds have resumed in Jun'20.
- Capex was stalled due to the lockdown. Thus, capex reduced to INR39.8b (v/s the sharp rise to INR113.4b in 4QFY20). Full year estimate stood at INR200b. This was low across segments.
- FCF was normalized to INR26b after last quarter's negative FCF due to high capex. Subsequently, deleveraging resumed with net debt reduction of INR23.2b to INR859b (excluding lease liability). Including rest of the INR220b AGR liability, net debt stood at INR1,079b v/s FY21 EBITDA of INR400b i.e. net debt to EBITDA of 2.7x (on pre Ind-AS 116). This should continue reducing with increase in EBITDA and continued deleveraging.

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Highlights from management commentary

- **ARPU:** Management has reiterated its stance that ARPU needs to reach INR200 in the near term and INR300 in the long term for the business to be sustainable. This would largely come from an incremental price hike or changing the structure of price plans to ensure it can leverage incremental data growth.
- **Digital strategy:** Bharti is looking to acquire quality customers that could provide additional revenue opportunity through advertisements. Further, it is looking to build new partnership to generate revenue. It is also exploring to build unique products and services for an additional revenue stream.
- **Deleveraging strategy:** 80% of the debt pertains to deferred spectrum and lease liability. Thus, market debt is limited, which could be gradually reduced by improving FCF along with (a) USD235m from the Carlyle group, (b) stake in fiber assets, and (c) Bharti Infratel's stake sale at a later stage.

Valuation and view

- Bharti has delivered strong execution over the last few quarters with industry leading revenue growth and 4G subscriber adds. It also has healthy network capacity v/s peers. The company is well placed to drive additional ARPU growth from increasing 4G subs adds and market share gains. This should help Bharti generate healthy FCF/subsequent deleveraging in the future.
- Management has been vocal and made strategic investments to develop digital super app and monetize the large pool of its data subscribers by offering multiple services through the partnership model. This should provide healthy and sticky revenue stream. However, it could take a couple of years to evolve as consumers start seeing value in these offerings.
- We have assigned EV/EBITDA of 12x to the India wireless business and 6x to the Africa business on FY22E. We have increased AGR liability to INR230b (v/s INR180b earlier) to factor in the remaining part of liability as per the DoT demand. Subsequently, we have arrived at SOTP-based TP of INR700 and **Maintain Buy.**
- Our higher multiple for the India wireless business captures expected gains from any potential ARPU increase, growing market share and possible government relief that are not built into our estimates.

Consol. - Quarterly Perf.**(INR b)**

Y/E March	FY20				FY21				FY20	FY21E	1Q FY21E	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	207	211	219	237	239	247	253	259	875	999	234	2.2
YoY Change (%)	3.3	3.5	8.5	15.1	15.4	16.9	15.5	9.3	8.4	14.1	12.9	
Total Expenditure	125	123	127	136	135	137	139	142	509	553	133	1.5
EBITDA	83	89	93	102	104	110	114	118	366	446	101	3.1
YoY Change (%)	23.1	41.9	49.0	53.3	25.7	24.7	23.1	15.8	42.1	21.9	21.9	381
Depreciation	68	69	69	71	72	75	78	80	277	305	78	-6.9
Net Finance cost	32	29	30	41	35	34	35	33	124	136	27	26.7
Other Income	1	4	2	10	6	7	7	7	9	29	1	376.5
PBT before EO expense	-15	-6	-5	0	4	9	9	12	-26	34	-3	NM
Extra-Ord expense	15	307	11	70	117	0	0	0	402	117	0	
PBT	-30	-313	-15	-70	-114	9	9	12	-428	-83	-3	NM
Tax	-6	-85	-10	-20	38	4	4	5	-122	50	-1	
Rate (%)	20.2	27.1	69.1	29.0	-33.6	40.0	40.0	40.0	28.4	-60.2	29.0	
MI & P/L of Asso. Cos.	5	2	6	3	7	1	1	-45	15	-35	0	
Reported PAT	-29	-230	-10	-52	-159	4	4	52	-322	-99	-1	NM
Adj PAT	-14	-11	-11	-5	-4	4	4	52	-41	56	-1	NM
YoY Change (%)	366.1	16.4	3.8	-60.4	-68.8	-135.0	-137.5	-1,206.6	16.6	-236.8	-90.0	

E: MOFSL Estimates

Key Performance Indicators

	FY20				FY21				FY20	FY21E	1Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Bharti India Wireless											
ARPU (INR)	129	128	135	154	157	159	163	166	135	160	147
Total Subscribers (m)	277	279	283	284	280	284	286	287	284	287	284
Data Subscribers (m)	120	124	138	149	149	161	173	187	149	187	150
Monthly churn (%)	2.6	2.1	2.6	2.6	2.2	2.2	2.2	2.2	2.5	2.2	2.6
Data Traffic (b MB)	4,192	4,829	5,547	6,453	7,240	7,844	8,789	9,841	21,020	33,714	6,318
Data usage/sub (MB)	11,930	13,116	13,928	14,972	16,655	16,863	17,538	18,222	13,284	16,747	14,627
Airtel Africa											
Mobile Subs (m)	100	104	107	111	111	114	116	118	111	118	109
ARPU (USD)	3	3	3	3	3	3	3	3	3	3	3
EBITDA Margins (%)	39.9	41.9	42.2	42.9	43.5	44.7	45.0	45.4	41.8	44.7	43.1
EBIT Margin (%)	7.3	9.1	10.6	13.1	13.3	14.2	14.4	14.6	10.2	14.1	13.1
Adj. PAT Margins (%)	-6.8	-5.3	-4.9	-2.0	-1.8	1.6	1.6	21.3	-4.7	5.9	-0.6

E:MOFSL Estimates

Other financial highlights

- Net exceptional charge stood at INR153.9b. Of this (a) INR107.4b was toward incremental provision on AGR liability (total INR460b AGR liability provision), (b) INR10b was toward additional levies, and (c) INR36.4b was toward re-assessment of DTA, adoption of 'Vivad se Vishwas' 2020 scheme and net tax benefit on exceptional.

Key performance indicators

- Data traffic grew 12% QoQ to 7.2bGB with 16.7GB/user. Bharti's data traffic is less than half of RJio's with potentially est. ~15-20% lower capacity, highlighting better network experience and room for improvement.
- Minutes of usage (MOU) were up 3% to 994min.

Airtel Africa

- Africa revenue/EBITDA was flattish (down 0.6%/0.3% QoQ) to INR64.5b/INR28.4b.
- ARPUs saw 3.7% decline but subscribers grew 1%.

Other segments

- Enterprise revenue/EBITDA grew 4%/-6% QoQ to INR35b/INR12.7b.
- Home broadband revenue/EBITDA grew 1%/17% QoQ to INR5.8b/INR3.5b.
- Passive revenue/EBITDA was down 2%/3% to INR16.4b/INR8.7b.
- Digital revenue/EBITDA jumped 23%/38% to INR7.4b/INR5b, normalizing after last quarter's impact.

Capex slowed partly due to lockdown

- 4G base stations saw modest 3k site adds v/s 30k/12k site addition in 4Q/3Q FY20. Unique broadband towers adds stood at 194k, up 2k. Part of the increase in capex was toward core fiber addition.

Key positives

- **Better-than-expected performance during lockdown:** India mobile EBITDA saw 3% QoQ growth (v/s expectation of ~6% EBITDA decline due to the lockdown related revenue loss), thus reflecting healthy recovery during Jun'20.
- **Recovery in sight:** Bharti's 3% ARPU growth and 0.6% subscriber decline should offer tailwind of ~3% revenue growth in 2QFY21. This along with healthy 2% mix driven by ARPU growth from 4G adds should reflect 3-4% revenue growth in 2QFY21 comfortably, even after adjusting for some element of the seasonality impact.
- **Resumption of positive FCF and deleveraging:** After last quarter's negative FCF and net debt increase, it has resumed the trend of positive FCF and deleveraging of INR26b/INR23b with net debt to EBITDA now standing at 2.7x.
- **Superior network capacity:** Despite robust data traffic growth of 12% and data/sub at 16.6GB/month, data traffic is still ~50% below RJio with potentially ~15-20% est. lower capacity. This highlights the healthy network capacity and room for improvement. It has healthy 507k base stations (closer to RJio) with unique broadband towers too at a healthy 194k.

Key negatives

- High exceptional of INR70b toward regulatory costs has dampened bottom line.
- Near-term risk of AGR liability payment of INR220b out of total INR460b (incl. Telenor).

Valuation and view

- **Expect strong ARPU increase or market share gains:** We believe that Bharti remains in a win-win situation, irrespective of the SC's outcome on VIL's fortunes. The government has been pitching for a healthy telecom market (3 private and 1 PSU player), which accentuates the need for VIL to stay afloat. However, VIL's survival would require sharp ARPU increase (INR85) along with moratorium of payments to service its regulatory and debt obligations, which could also benefit Bharti. Further, even in the worst-case scenario of no government support on AGR dues, Bharti's financial position is strong enough to withstand the storm, and in fact, could lead to significant market share gains for the company at the cost of VIL. In either case, our workings indicate that BHARTI could deliver a marked rise in earnings. We see potential increase of ~42% in our FY22E EBITDA estimate to INR660b.
- However, any tariff hike or change in the structure of price plans would be to leverage increasing data growth, which remains the key growth lever and may stretch beyond 1-2 quarters, given the current economic woes and market conditions.
- Management has been vocal and taken strategic investments to develop digital super app and monetize the large pool of its data subscribers by offering multiple services through the partnership model. This could provide healthy and sticky revenue stream but should take couple of years to evolve as consumers see value in the offerings.
- **Steady market share explains competitive position:** Despite the commercial launch of RJio three years ago, Bharti has consistently maintained its revenue market share of ~30% as against the ~15pp loss by VIL in the past three years. Of

the monthly 8-10m industry MBB subs adds, Bharti has garnered healthy 30% market share, excluding estimated 3-4m Jiophone adds. During this quarter, the company added 2m 4G customers (due to the nationwide lockdown). In our opinion, Bharti is well positioned to add MBB subscribers at a healthy pace.

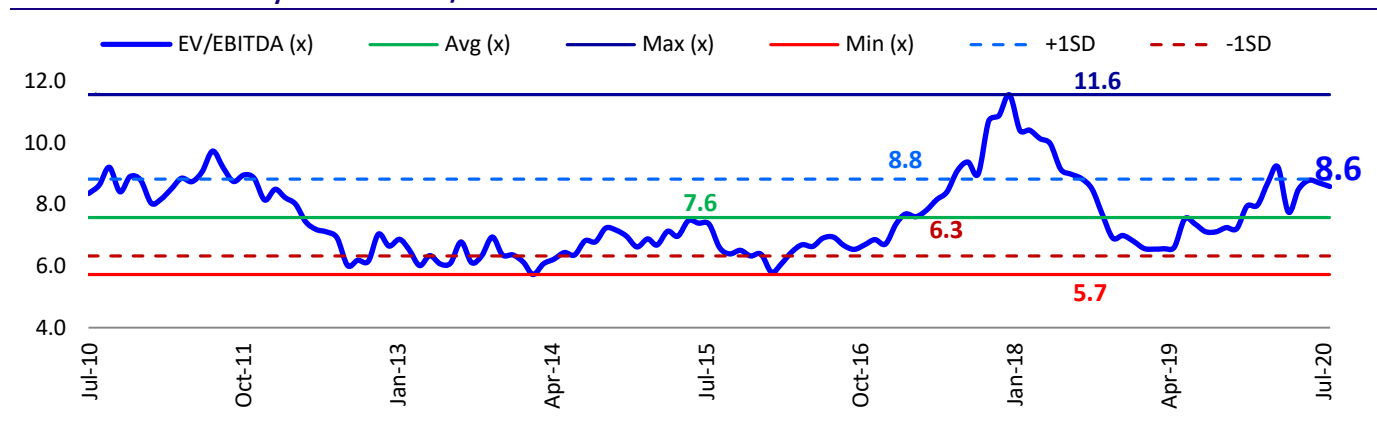
- **Valuation and view:** We have assigned EV/EBITDA of 12x to the India wireless business and 6x to the Africa business on FY22E. We have increased AGR liability to INR230b (v/s INR180b earlier) to factor in the remaining part of liability as per the DoT demand. Subsequently, we have arrived at SOTP-based TP of INR700. **Maintain Buy.** Our higher multiple for the India wireless business captures expected gains from any potential ARPU increase, growing market share and possible government relief that are not built into our estimates.

Exhibit 1: Bharti Airtel — SOTP-based on FY22E

	EBITDA (INR b)	Ownership (%)	Proportionate EBITDA (INR b)	EV/ EBITDA (x)	Fair Value (INR b)	Value/ Share (INR)
India SA business (excl. towers)	354	100%	354	12	4,240	777
Tower business (15% discount to fair value)		53.5%			235	43
Africa business	137	55.2%	75	6	452	83
Less net debt					883	162
AGR Liability					230	42
Total Value					3814	700
Shares o/s (b)	5.5					
CMP						553
Upside (%)						27

Source: Company, MOFSL

Exhibit 2: BHARTI: One-year forward EV/EBITDA



Source: MOFSL, Company



Highlights from management commentary

Key highlights

- **ARPU:** Management has reiterated its stand that ARPU needs to reach INR200 in the near term and INR300 in the long term for business to be sustainable. This would largely come from incremental price hikes or changing the structure of price plans to ensure it can leverage incremental data growth.
- **Digital strategy:** Bharti is looking to acquire quality customers that could provide additional revenue opportunity through advertisements. Further, it is looking to build new partnerships to generate revenue and to build unique products and services for an additional revenue stream.

- **Deleveraging strategy:** 80% of the debt pertains to deferred spectrum and lease liability. Thus, market debt is limited, which can be gradually reduced by improving FCF along with (a) USD235m from the Carlyle group, (b) stake in fiber assets, and (c) Bharti Infratel's stake sale at a later stage.
- **Strategic investment:** Bharti does not have any liquidity issue or operational needs for a stake sale. However, the company will continue to build up new partnerships in line with its digital strategy.
- **Enterprise business opportunity:** It has ample growth opportunities in (a) the connectivity space, and (b) other solutions such as cyber security, cloud (Airtel has private, public and edge cloud), data centers, video conferencing and collaboration.

Operational performance

- **Consolidated level:** Revenue grew 0.9% QoQ on a higher base after significant growth in the last quarter due to the price hike.
- **Airtel Business:** The company launched India's first WFH solution along with new products with lower latency. This helped in revenue growth of 3.7% QoQ.
- **Home broadband:** Airtel witnessed higher traction in this segment and started accelerated roll-out due to increased demand.
- **Mobile business:** Due to SIM consolidation at low ARPU feature phone subscribers, ARPU has increased to INR157. Reduction in costs would help in expansion of EBITDA by 130bp.
- **Margin improvement:** Airtel is able to improve margins due to cost reduction coming from (a) adoption of digital recharge, which has lower commissions, (b) lower marketing, and sales and distribution cost (one-time), and (c) transition of support staff or related issues to digital medium such as 'Airtel Thanks' app.

COVID-19 impact

- **Mobile business:** The segment saw minor revenue contraction due to (a) zero revenue from international roaming, (b) SIM consolidation (concentrated at low ARPU feature phone subscriber), and (c) slow 4G adds due to supply shortage of smartphones. However, the company started to see smartphone shipment at pre-COVID level, which should aid in subscriber mix improvement. Subscriber churn stood at 4m.
- In Apr'20, recharge points were not available to customers due to the nationwide lockdown. In May-Jun'20, district-level lockdown impacted recharges, especially on weekends as lockdown was stringent during those days.
- **Home broadband:** Part of the growth was hampered due to closure of small offices and stores owing to the lockdown.
- **Enterprise business:** The company witnessed pressure on demand from SMEs during the lockdown, however, demand for WFH solutions, video conferencing, data centers and cyber security increased.
- **Network:** The company witnessed shift in traffic from urban to outskirts and rural areas and from offices to residential areas, along with surge in data demand. Lockdown reduced the pace of network deployment – the company deploys ~1,700 sites. Further, the company added some sectors, twin beams to improve the network and partnered with AltioStar to deploy vRAN.

Broadband business

- **Massive growth opportunity:** Management believes that there is massive growth opportunity for home broadband in smaller towns and cities.
- **Strategy for expansion:** Airtel is partnering with local cable operators (LCO) to make inroads in smaller towns. It already made partnership in 14 towns and saw good demand there, thus, it is planning to scale up this business over the next 6-12 months. The company partners with LCOs on revenue sharing model –LCOs are responsible for laying last mile fiber and its maintenance. Investment requirement for expansion in smaller towns are huge, and thus, it opts for partnership model.
- **Outlook:** EBITDA margin should stand at ~55% with stable ARPU of ~INR800 as new customers are opting for plans in the same price range. Management expects customer addition to be robust.

Enterprise business

- **Carlyle investment:** The Carlyle group will invest USD235m in Airtel's data center business for 25% stake.
- **Massive growth opportunity:** This segment has ample growth opportunities in (a) connectivity space, which is the company's core business, and (b) other solutions such as cyber security, cloud (Airtel has private, public and edge cloud), data centers, video conferencing and collaboration and partnerships. However, the structure of this business would be different from B2C business.

Network strategy

- **3G shutdown:** Management believes it will take some time for all 2G customers to move to 4G. The company plans to continue 2G until revenue share of its customers becomes insignificant. However, it is looking to shut down the entire 3G network.
- **Renewal strategy:** Bharti is looking to expand sub GHz spectrum in states where it currently does not have any presence like Maharashtra, Gujarat, Kerala, and Haryana. Except that, there is abundant spectrum in mid bands.

Outlook

- **ARPU:** Management has reiterated its stance that ARPU needs to reach INR200 in the near term and INR300 in the long term for business to be sustainable. Organically, ARPU growth could come from mix improvement and transition to post-paid while major portion is likely to come through incremental price hikes. Management is confident of price hike and restructuring in current plans to benefit from increased data usage.
- **Digital strategy:** Bharti is looking to acquire quality customers that could provide additional revenue opportunity through advertisements. Further, it is looking to build new partnerships to generate revenue and to build unique products and services for an additional revenue stream.
- **Fund raising:** Bharti has already paid INR180b to the DoT for AGR. Management expects the remaining amount to be paid in installments, thus, it would not require any additional fund raise and could fulfill it from internal operations.
- **5G entry:** Management has indicated that prices of 5G spectrum are expensive and are not affordable. Further, the ecosystem is nascent in India (in terms of

applications, devices and use cases). It would take at least 2-3 years for 5G to gain significance in India.

- **Strategic investment:** Bharti does not have any liquidity issue or operational needs for stake sale. However, the company will continue to build new partnerships in line with its digital strategy.
- **Deleveraging strategy:** ~80% of the company's debt is due to deferred spectrum liability and financing lease obligations. Share of market debt is limited and the company can easily furnish the debt obligations. The company is expected to receive USD235m from the Carlyle group and has monetization opportunities for the Bharti Infratel stake and fiber assets. Increasing EBITDA and capex within guided range along with these opportunities should aid in deleveraging.

Exhibit 3: Consolidated segment-wise performance (INR m)

	1QFY20	4QFY20	1QFY21	YoY%	QoQ%	1QFY21E	v/s Est (%)
Revenue							
Mobile India	1,08,667	1,29,528	1,28,772	18.5	-0.6	1,23,119	4.6
Telemedia	5,705	5,725	5,785	1.4	1	6,107	-5.3
Enterprise	32,080	33,762	35,019	9.2	3.7	34,437	1.7
Passive Infrastructure	17,262	16,826	16,421	-4.9	-2.4	17,124	-4.1
Digital TV	7,389	6,035	7,448	0.8	23.4	6,211	19.9
South Asia	1,089	1,203	1,088	-0.1	-9.6	1,227	-11.3
Others	-80	15	4	-105	-73.3	15	-73.9
Africa	55,433	64,888	64,513	16.4	-0.6	66,713	-3.3
Eliminations	-20,167	-20,755	-19,663	-2.5	-5.3	-20,782	-5.4
Consolidated Revenue	2,07,378	2,37,227	2,39,387	15.4	0.9	2,34,173	2.2
EBITDA							
Mobile India	38,742	50,796	52,227	34.8	2.8	47,650	9.6
Telemedia	2,524	3,012	3,514	39.2	16.7	3,237	8.6
Enterprise	7,655	13,466	12,711	66	-5.6	13,736	-7.5
Passive Infrastructure	10,055	9,032	8,742	-13.1	-3.2	9,192	-4.9
Digital TV	5,263	3,648	5,041	-4.2	38.2	3,755	34.3
South Asia	92	147	98	6.8	-33.1	52	87.6
Africa	24,092	28,491	28,413	17.9	-0.3	29,955	-5.1
Eliminations	-5,621	-6,940	-6,667	18.6	-3.9	-6,651	0.2
Consolidated EBITDA	82,802	1,01,652	1,04,079	25.7	2.4	1,00,926	3.1
Consolidated EBITDA (Adj. for Ind-As 116)	82,802	86,264	88,691	7.1	2.8	85,538	3.7
EBITDA margin (%)							
Mobile India	35.7	39.2	40.6	491bps	134bps	38.7	186bps
Telemedia	44.2	52.6	60.7	1650bps	814bps	53	774bps
Enterprise	23.9	39.9	36.3	1244bps	-359bps	39.9	-359bps
Passive Infrastructure	58.2	53.7	53.2	-501bps	-44bps	53.7	-44bps
Digital TV	71.2	60.5	67.7	-354bps	723bps	60.5	723bps
Mobile South Asia	8.4	12.2	9	59bps	-318bps	4.3	476bps
Africa	43.5	43.9	44	58bps	13bps	44.9	-86bps
Consolidated EBITDA margin	39.9	42.9	43.5	355bps	63bps	43.1	38bps
Depreciation and amortization	67,587	70,550	72,268	6.9	2.4	77,661	-6.9
Operating income	15,215	31,102	31,811	109.1	2.3	23,265	36.7
Other income and share of JV/Associate	1,302	10,135	6,471	397	-36.2	1,358	376.5
Net finance cost	31,815	41,302	34,562	8.6	-16.3	27,286	26.7
Proforma Profit Before Taxes	-15,298	-65	3,720	-124.3	-5823.1	-2,663	-239.7
Exceptional Items	14,694	70,040	1,17,457	699.4	67.7	0	NM
Proforma Tax	-6,070	-20,335	38,175	-728.9	-287.7	-772	NM
Effective Tax Rate (%)	39.7	31284.6	1026.2	98653.1	-3025841	29	NM
Proforma Profit After Tax	-23,922	-49,770	-1,51,912	535	205.2	-1,890	NM
Proforma Minority Interest	4,738	2,600	7,419	56.6	185.3	-488	NM
Proforma Net Profit	-28,660	-52,370	-1,59,331	455.9	204.2	-1,403	NM
Proforma Adj. Net Profit	-14,001	-4,708	-4,363	NM	NM	-1,403	NM

Source: MOFSL, Company

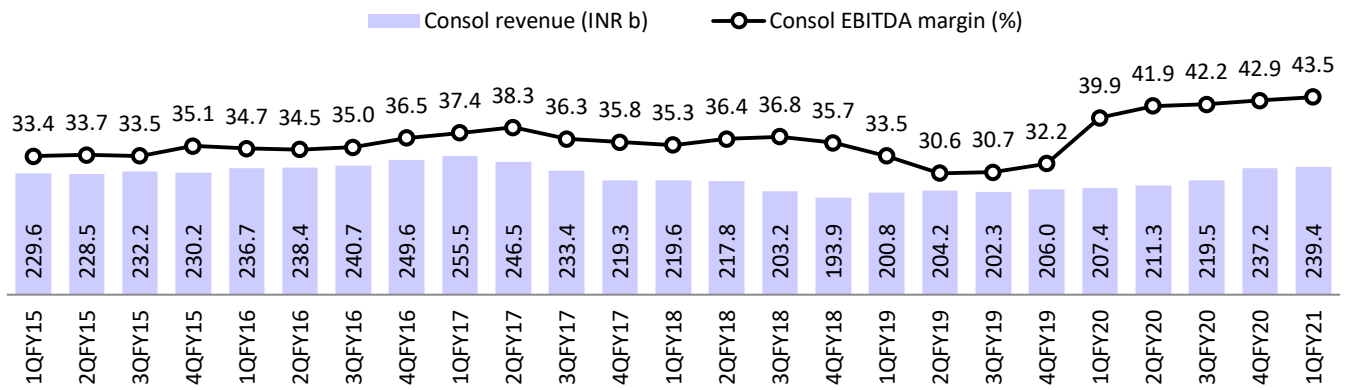
Exhibit 4: Summary of estimate change

	FY21E	FY22E
Revenue consolidated (INRb)		
Old	977	1103
New	999	1123
Change (%)	2.3	1.8
EBITDA consolidated (INRb)		
Old	436	522
New	446	528
Change (%)	2.3	1.2
EBITDA margin consolidated (%)		
Old	44.6	47.3
New	44.7	47.0
Change (bp)	3	-28
India Mobile Revenue (INRb)		
Old	519	617
New	541	633
Change (%)	4	3
India Mobile EBITDA (INRb)		
Old	213	283
New	225	291
Change (%)	6	3
India ARPU (INR)		
Old	154	181
New	160	183
Change (%)	3.9	1.4
Adj. EPS (INR)		
Old	1.5	5.7
New	10.2	5.4
Change (%)	579.1	-5.5
Africa Mobile Revenue (INRb)		
Old	276	297
New	269	291
Change (%)	-2.4	-2.1
Africa Mobile EBITDA (INRb)		
Old	128	140
New	126	137
Change (%)	-1.8	-2.4

Source: Company, MOFSL

Story in charts

Exhibit 5: Consol. revenue increased 1% QoQ; Consol. EBITDA margin expanded 60bp (INR b, %)



Source: MOFSL, Company

Exhibit 6: India mobile revenue declined 0.6% QoQ

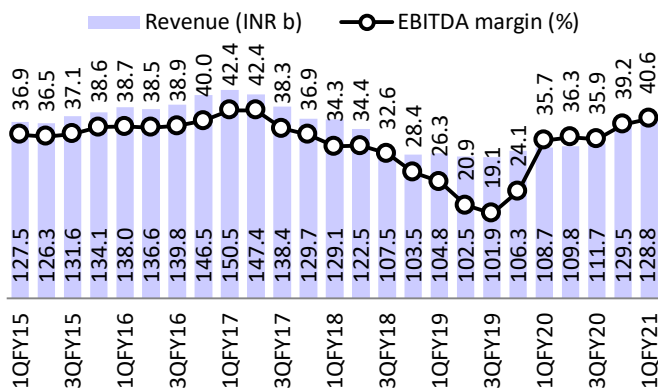


Exhibit 7: Africa revenue decline 0.6% QoQ

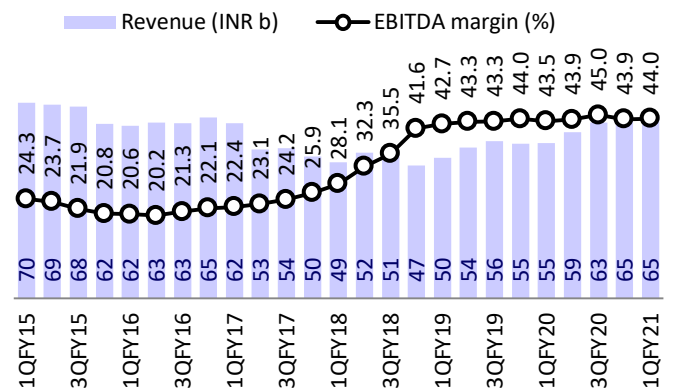


Exhibit 8: India mobile ARPU stood at INR157

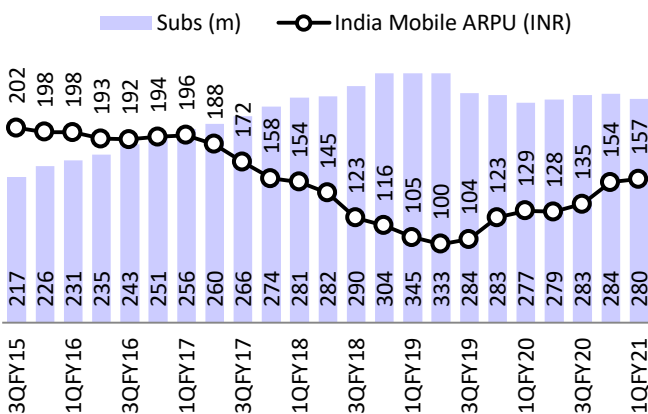


Exhibit 9: Africa ARPU was flat QoQ

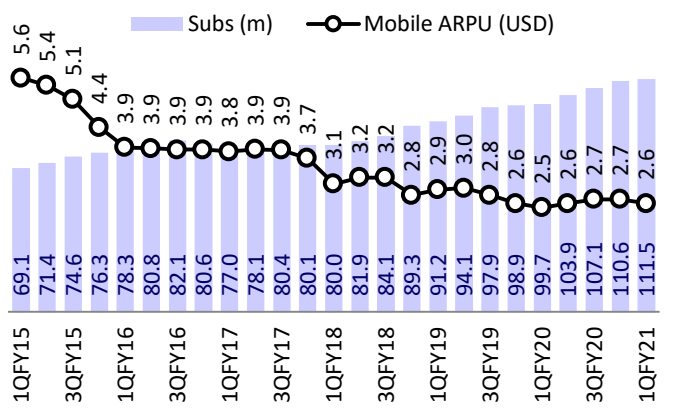
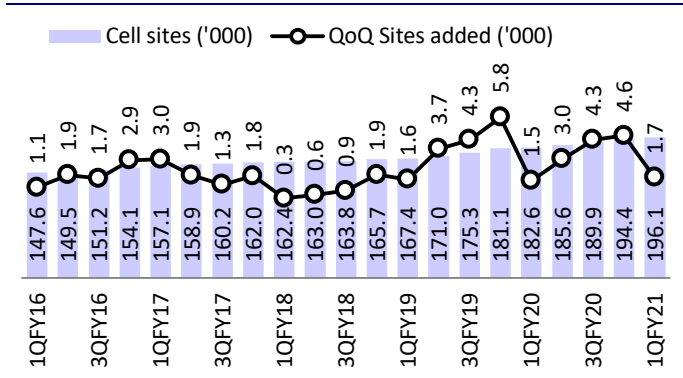
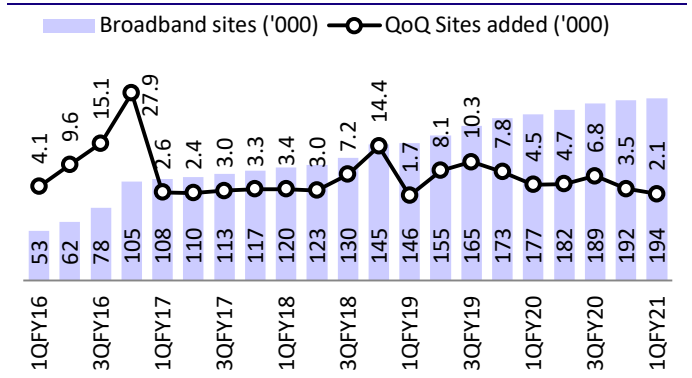
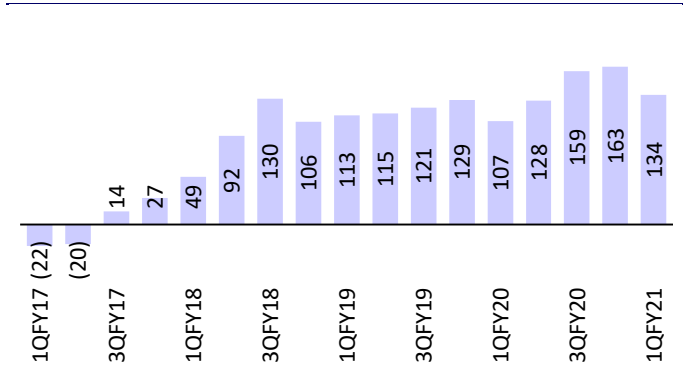


Exhibit 10: India mobile total cell site base and quarterly additions

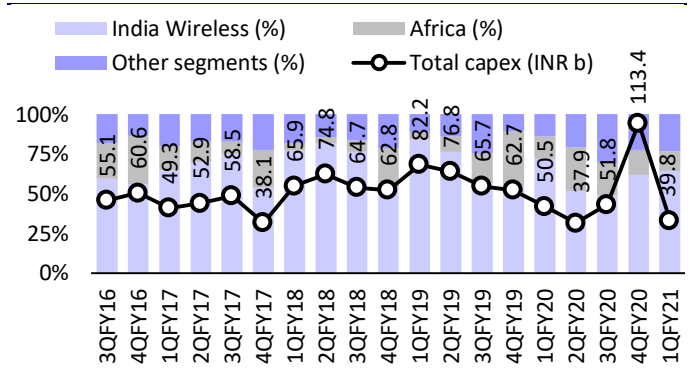
Source: Company, MOFSL

Exhibit 11: India mobile broadband sites base and quarterly additions

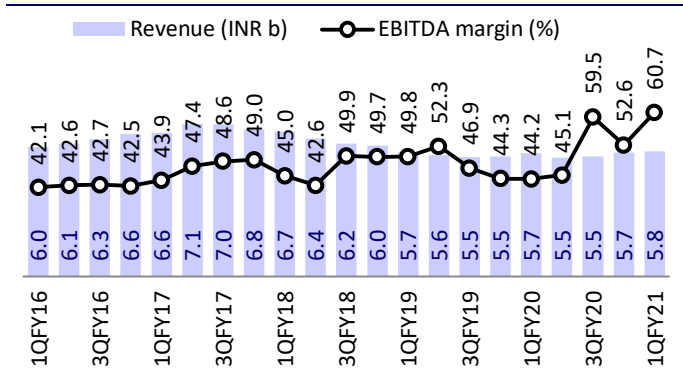
Source: Company, MOFSL

Exhibit 12: Bharti Africa — PBT in constant currency (USD m)

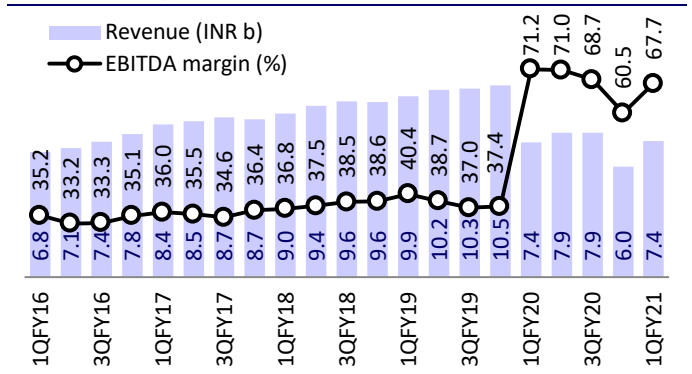
Source: Company, MOFSL

Exhibit 13: Bharti Airtel — segmental capex trend (INR b)

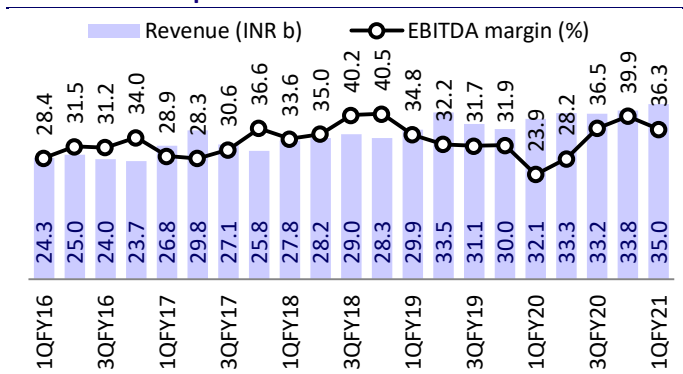
Source: Company, MOFSL

Exhibit 14: Telemedia business revenue grew 1% QoQ

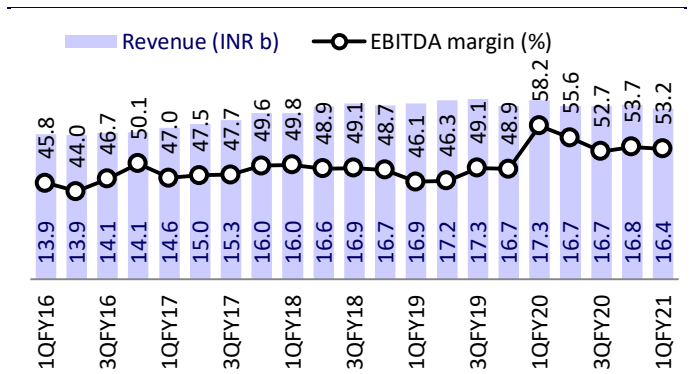
Source: Company, MOFSL

Exhibit 15: Digital TV business trend

Source: Company, MOFSL

Exhibit 16: Enterprise business revenue trend

Source: Company, MOFSL

Exhibit 17: Passive Infra business revenue trend

Source: Company, MOFSL

Exhibit 18: Business mix

Revenue (INR b)	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Mobile	467	520	561	566	463	416	460	541	633
Telemedia	39	44	25	28	25	22	22	24	27
Enterprise	63	67	97	109	113	125	132	144	156
Passive Infrastructure	51	54	56	61	66	68	67	67	71
Others (incl South Asia)	41	43	49	49	46	47	34	36	39
Africa	272	269	251	220	191	215	242	269	291
Total revenue	934	998	1039	1032	904	892	958	1081	1217
Eliminations and others	77	77	76	78	78	84	82	82	94
Consolidated revenue	857	920	963	955	826	808	875	999	1123
YoY%	11	7	5	-1	-13	-2	8	14	12
EBITDA (INR b)									
Mobile	158	194	219	227	151	94	170	225	291
Telemedia	15	18	11	13	12	11	11	15	17
Enterprise	14	14	30	34	42	41	43	52	57
Passive Infrastructure	0	0	26	29	33	32	37	36	38
Others (incl South Asia)	2	5	8	10	10	13	20	21	23
Africa	71	61	53	51	68	93	107	126	137
Total EBITDA	259	292	347	364	315	285	388	475	562
Eliminations and others	-6	-5	-7	-11	-14	-26	-22	-29	-34
Consolidated EBITDA	254	287	340	353	301	258	366	446	528
YoY%	27	13	19	4	-15	-14	42	22	18
Consolidated EBITDA margin (%)	32.3	33.9	35.2	37.0	36.4	31.9	41.8	44.7	47.0
Capex (INR b)									
Consolidated capex	175	210	271	384	267	305	-30	203	203
YoY%	34	20	29	42	-30	14	-110	-783	0
Capex/Sales (%)	20	23	28	40	32	38	-3	20	18

Source: Company, MOFSL

Financials and Valuations

Consol. Income Statement

(INR b)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	857	920	965	955	826	808	875	999	1,123
Change (%)	11.5	7.3	4.9	-1.1	-13.4	-2.2	8.4	14.1	12.4
Total Expenditure	581	608	625	601	526	550	509	553	595
% of Sales	67.7	66.1	64.8	63.0	63.6	68.1	58.2	55.3	53.0
EBITDA	277	312	340	353	301	258	366	446	528
Margin (%)	32.3	33.9	35.2	37.0	36.4	31.9	41.8	44.7	47.0
Depreciation	156	155	174	198	192	213	277	305	337
EBIT	120	157	165	156	108	44	89	141	191
Int. and Finance Charges	48	48	69	77	81	96	124	136	125
Other Income	6	7	11	10	13	5	9	29	29
PBT bef. EO Exp.	78	115	107	89	41	-47	-26	34	95
EO Items	1	-8	22	-12	-8	29	-402	-117	0
PBT after EO Exp.	79	107	128	77	33	-17	-428	-83	95
Total Tax	48	54	60	35	11	-34	-122	50	38
Tax Rate (%)	61.6	50.4	46.3	45.1	33.2	197.4	28.4	-60.2	40.5
Minority Interest	2	1	8	4	11	13	15	-35	27
Reported PAT	28	52	61	38	11	4	-322	-99	29
Adjusted PAT	28	56	49	44	14	-35	-41	56	29
Change (%)	43.0	102.7	-12.0	-9.5	-68.6	-350.3	16.6	-236.8	-47.2
Margin (%)	3.2	6.1	5.1	4.7	1.7	-4.3	-4.7	5.6	2.6

Consol. Balance Sheet

(INR b)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	20	20	20	20	20	20	27	27	27
Total Reserves	578	600	648	655	675	694	744	645	674
Net Worth	598	620	668	675	695	714	771	672	702
Minority Interest	42	49	55	69	88	135	250	215	242
Total Loans	759	807	1,005	1,073	1,113	1,254	1,482	1,412	1,242
Deferred Tax Liabilities	-46	-44	-34	-17	-22	-83	-263	-263	-263
Capital Employed	1,353	1,431	1,693	1,799	1,875	2,021	2,241	2,037	1,923
Net Fixed Assets	1,406	1,501	1,780	1,891	1,589	1,684	1,949	2,233	2,099
Total Investments	155	170	120	182	180	176	278	141	141
Curr. Assets, Loans & Adv.	208	227	311	234	327	382	724	778	834
Inventory	1	1	2	0	1	1	2	1	2
Account Receivables	62	67	55	47	59	43	46	56	59
Cash and Bank Balance	50	12	37	13	48	62	136	145	164
Loans and Advances	94	146	217	173	219	276	541	576	609
Curr. Liability & Prov.	416	468	518	507	602	641	1,097	1,114	1,150
Account Payables	405	459	508	497	577	621	621	639	668
Provisions	12	8	10	10	25	20	476	475	482
Net Current Assets	-209	-241	-207	-273	-275	-259	-373	-336	-316
Appl. of Funds	1,353	1,431	1,693	1,799	1,875	2,021	2,241	2,037	1,923

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)									
EPS	6.9	14.0	12.3	11.1	3.5	-8.7	-7.5	10.2	5.4
Cash EPS	46.0	52.8	55.9	60.6	51.6	44.7	43.3	66.2	67.2
BV/Share	149.5	155.0	168.8	168.8	173.9	178.7	141.4	123.2	128.6
DPS	1.8	2.2	1.4	1.0	1.0	0.0	0.0	0.0	0.0
Payout (%)	30.2	19.9	10.8	12.7	43.8	0.0	0.0	0.0	0.0
Valuation (x)									
P/E	80.3	39.6	45.0	49.7	158.3	NM	NM	54.1	102.5
Cash P/E	12.0	10.5	9.9	9.1	10.7	12.4	12.8	8.4	8.2
P/BV	3.7	3.6	3.3	3.3	3.2	3.1	3.9	4.5	4.3
EV/Sales	3.4	3.3	3.3	3.4	4.0	4.2	5.0	4.3	3.6
EV/EBITDA	10.6	9.6	9.3	9.0	10.6	12.9	11.4	9.5	7.7
Dividend Yield (%)	0.3	0.4	0.2	0.2	0.2	0.0	0.0	0.0	0.0
Return Ratios (%)									
RoE	5.0	9.2	7.6	6.6	2.0	NM	NM	7.7	4.3
RoCE	3.8	5.8	6.1	5.3	4.6	NM	3.3	12.5	6.5
RoIC	4.2	6.5	6.4	5.4	4.5	NM	3.7	12.8	6.7
Working Capital Ratios									
Asset Turnover (x)	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.5	0.6
Debtor (Days)	27	27	21	18	26	19	19	20	19
Leverage Ratio (x)									
Net Debt/Equity	0.9	1.0	1.3	1.3	1.3	1.4	1.4	1.7	1.3

Consol. Cash Flow Statement

(INR Billion)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	79	107	128	77	33	-17	-428	-83	95
Depreciation	156	155	174	198	192	213	277	305	337
Interest & Finance Charges	59	73	85	95	93	110	137	136	125
Direct Taxes Paid	-35	-46	-47	-32	-14	-12	-23	-50	-38
(Inc)/Dec in WC	18	-2	-4	-27	6	-55	-166	-27	-1
CF from Operations	276	288	338	311	311	239	-203	280	518
Others	-14	-12	-58	-19	-12	-39	384	0	0
CF from Operating incl EO	262	276	279	292	299	201	181	280	518
(Inc)/Dec in FA	-175	-210	-271	-384	-267	-305	-221	-203	-203
Free Cash Flow	88	66	8	-92	31	-105	-40	77	315
(Pur)/Sale of Investments	-37	-12	68	-1	-33	1	-88	138	0
Others	-28	14	61	69	40	28	10	5	5
CF from Investments	-240	-207	-142	-316	-260	-277	-300	-60	-198
Issue of Shares	68	0	1	1	0	99	462	0	0
Inc/(Dec) in Debt	14	-72	-118	9	40	106	-180	-70	-170
Interest Paid	-38	-34	-33	-59	-44	-76	-110	-136	-125
Dividend Paid	-7	-21	-15	-9	-33	-47	-18	0	0
Others	-12	31	47	53	56	13	37	0	0
CF from Fin. Activity	26	-97	-118	-4	19	95	191	-206	-295
Inc/Dec of Cash	48	-28	19	-28	58	19	73	14	25
Opening Balance	1	40	-1	18	-10	41	54	131	140
Closing Balance	50	12	37	13	48	62	136	145	164

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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