

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BHARTI IN
Equity Shares (m)	5,456
M.Cap.(INRb)/(USD\$b)	2465.1 / 32
52-Week Range (INR)	612 / 351
1, 6, 12 Rel. Per (%)	-3/-31/19
12M Avg Val (INR M)	10952

### Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	875.4	1,012.5	1,058.4
EBITDA	366.1	464.6	545.6
Adj. PAT	-40.7	9.6	24.3
EBITDA Margin (%)	41.8	45.9	51.5
Adj. EPS (INR)	-7.5	1.8	4.5
EPS Gr. (%)	-14.6	NM	NM
BV/Sh. (INR)	141.4	114.7	119.2

### Ratios

Net D:E	1.5	2.0	1.9
RoE (%)	NM	1.4	3.8
RoCE (%)	3.6	6.7	6.8
Payout (%)	0.0	0.0	0.0

### Valuations

EV/EBITDA (x)	10.4	8.0	6.8
P/E (x)	-60.0	254.9	100.4
P/BV (x)	3.2	3.9	3.8
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-1.0	1.6	4.6

### Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	56.2	56.2	62.7
DII	21.7	18.4	13.2
FII	17.6	20.2	22.4
Others	4.5	5.2	1.7

FII Includes depository receipts

**CMP: INR451 TP: INR650 (+45%) Buy**

### Stellar performance; Gaining competitive edge

- Bharti posted better-than-expected performance in 2QFY21 despite no tariff hikes. This was attributable to 7.4% QoQ growth (5% beat) in India Mobile revenues, with EBITDA growth of 13% QoQ (10% beat). ARPU/sub grew 3%/5% QoQ, implying quality customers adds, potentially ahead of the industry.
- We marginally revise our FY21/FY22E consol. EBITDA estimates, factoring in a 22% EBITDA CAGR over FY20–22E. ARPU in 4QFY21 may fall by ~15% due to the abolishment of the IUC charge. However, it may in turn be marginally EBITDA positive.

### India Wireless EBITDA up 13% QoQ (10% above est.) despite no tariff hike

- Consol. revenue was up 7.7% QoQ to INR257.9b (5% beat) on a big beat in India Wireless. Consol. EBITDA was up 12% QoQ to INR116.4b (11% beat) on strong operating leverage, with 170bp improvement to 45.2% (210bp above estimate). Adjusted net loss (after minority), excluding exceptional cost, stood at INR7.4b (est. profit of INR2.6b) v/s net loss of INR4.4b in 1QFY21.
- **India Wireless:** Revenue surprised with a 7.4% QoQ increase to INR138.4b (5% beat). The strong execution on quality subscriber adds is evident from the 14m active/4G subscriber adds (up 5% QoQ) and 3% ARPU increase, which resulted in healthy market share gains.
- India Wireless EBITDA was up 12.8% QoQ to INR58.9b (9% beat), with the incremental EBITDA margin at a healthy 70%. Total opex (excl. access/license fee) was flattish (up 2%) as SG&A efficiency was offset by increase in network cost due to higher capex.
- ARPU jumped 3% QoQ to INR162 (v/s est. INR157) on mix benefit from healthy 4G subs adds and revenue recovery from the COVID-19 impact. Subscribers saw a strong 13.9m jump QoQ, much better than 3.8m decline in the lockdown quarter (1QFY21). On the other hand, the count of 4G subscribers rose by 14.4m to 153m subscribers.
- Capex rose to INR67.9b (v/s INR39.8b in 1QFY21); thus, operating FCF post-interest stood at INR13.3b (v/s INR36.1b in 1QFY21). With 1HFY21 capex at INR108b, we increase our full-year capex estimate to INR220b v/s INR200b earlier.
- Net debt saw a major increase of INR234b to INR1074b related to AGR. Including lease liability of INR304b, net debt stood at INR1,378b, which raised annualized net debt to EBITDA to 2.9x on 2QFY21 EBITDA. This further raised interest cost by 22% to INR37.3b. Excluding AGR and lease liability, net debt reduced by INR20b.

### Highlights from management commentary

- Competitive dynamics have been limiting tariff hikes. Bharti's ARPU is already at a premium and would increase once competitors initiate hikes.
- There are 160m digital customers and 82m monthly active users on Airtel Thanks. These could be leveraged for analytics and customized products and services to improve subscriber monetization.

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- The Broadband and Enterprise segments are poised for growth, with huge scope and record 1m/130k of homepasses and customers adds in 2QFY21, driven by the new LCO distribution model.
- High capex intensity was required in 1HFY21 to support high data growth in the lockdown, but this would moderate. 5G is still two years away, while spectrum renewal could come next year.

#### Valuation and view

- Bharti's execution has been top-notch in the last few quarters, evident from strong 16% India Mobile EBITDA growth cumulatively in the last two quarters. Its strong competitive position was seen in its robust 10m quality subscriber adds, which led to cumulative ARPU improvement of 5%. All of this was achieved without the much-anticipated tariff hike.
- Management has been quite focused on making strategic investments to develop a digital super app. It would also monetize the large pool of its data subscribers by offering multiple services through the partnership model. A strong, growing base of digital and Airtel Thanks customers should certainly provide a healthy and sticky revenue stream in a couple of years. Airtel has also been developing a number of tech-solutions (such as security and cloud offerings) for its enterprise customers, which would act as additional revenue opportunities.
- With a healthy EBITDA of INR465b/INR546b in FY21/FY22E, FCF should grow to >INR150b in FY22E, thus allowing healthy 10–12% deleveraging annually. However, on the flip side, increased data growth has led to the risk of a rise in capex intensity (INR110b in 1HFY21). This has compelled us to raise our consolidated capex estimate by 10% to INR220b. While 5G capex is still 2–3 years away, 4G spectrum renewal is estimated to increase next year's capex. We have not factored in decline in EBITDA from 3QFY21 due to the Bharti–Indus merger. This would lead to the elimination of subsidiary financials from consolidated numbers as Bharti's stake would reduce to 37% from >50% currently. However, it would not impact our SOTP valuation.
- Delay in tariff hikes has been a key issue and has led to sharp correction in the stock price. But, with a healthy FCF, Bharti's position is hedged, with no urgent need to seek a price hike. We assign EV/EBITDA of 11x to the India Wireless business and 6x to the Africa business on FY22E. Subsequently, we arrive at an SOTP-based TP of INR650. Our higher target multiple for the India Wireless business captures expected gains from any potential ARPU increase or higher market share gains – both of which are not fully captured in our model.

**Maintain Buy.**

## Consolidated – Quarterly Earnings Model

(INR b)

Y/E March	FY20				FY21				FY20	FY21E	2Q FY21E	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Revenue</b>	<b>207</b>	<b>211</b>	<b>219</b>	<b>237</b>	<b>239</b>	<b>258</b>	<b>266</b>	<b>250</b>	<b>875</b>	<b>1,012</b>	<b>245</b>	5.2
YoY Change (%)	3.3	3.5	8.5	15.1	15.4	22.0	21.0	5.2	8.4	15.7	18.2	
Total Expenditure	125	123	127	136	135	141	146	126	509	548	138	2.5
<b>EBITDA</b>	<b>83</b>	<b>89</b>	<b>93</b>	<b>102</b>	<b>104</b>	<b>116</b>	<b>120</b>	<b>124</b>	<b>366</b>	<b>465</b>	<b>107</b>	8.6
YoY Change (%)	23.1	41.9	49.0	53.3	25.7	31.4	29.6	22.0	42.1	26.9	21.0	1044
Depreciation	68	69	69	71	72	74	78	81	277	305	75	-1.0
Net Finance cost	32	29	30	41	35	38	36	32	124	140	34	11.5
Other Income	1	4	2	10	6	1	5	5	9	18	7	-85.7
<b>PBT before EO expense</b>	<b>-15</b>	<b>-6</b>	<b>-5</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>11</b>	<b>17</b>	<b>-26</b>	<b>38</b>	<b>6</b>	-4.3
Extra-Ord expense	15	307	11	70	117	0	0	0	402	118	0	
<b>PBT</b>	<b>-30</b>	<b>-313</b>	<b>-15</b>	<b>-70</b>	<b>-114</b>	<b>5</b>	<b>11</b>	<b>17</b>	<b>-428</b>	<b>-80</b>	<b>6</b>	-12.6
Tax	-6	-85	-10	-20	38	6	5	7	-122	55	2	
Rate (%)	20.2	27.1	69.1	29.0	-33.6	106.5	40.0	40.0	28.4	-68.8	40.0	
Minority Interest & P/L of Asso. Cos.	5	2	6	3	7	7	2	-6	15	10	1	
<b>Reported PAT</b>	<b>-29</b>	<b>-230</b>	<b>-10</b>	<b>-52</b>	<b>-159</b>	<b>-8</b>	<b>5</b>	<b>16</b>	<b>-322</b>	<b>-146</b>	<b>3</b>	NM
<b>Adj PAT</b>	<b>-14</b>	<b>-11</b>	<b>-11</b>	<b>-5</b>	<b>-4</b>	<b>-7</b>	<b>5</b>	<b>16</b>	<b>-41</b>	<b>10</b>	<b>3</b>	NM
YoY Change (%)	366.1	16.4	3.8	-60.4	-68.8	-33.7	-147.1	-446.2	16.6	-123.5	-118.8	

E: MOFSL Estimates

## Key Performance Indicators

	FY20				FY21				FY20	FY21E	2Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
<b>Bharti India Wireless</b>											
ARPU (INR)	129	128	135	154	157	162	164	139	135	155	158
Total Subscribers (m)	277	279	283	284	280	294	295	297	284	297	283
Data Subscribers (m)	120	124	138	149	149	162	174	188	149	188	159
Monthly churn (%)	2.6	2.1	2.6	2.6	2.2	1.7	1.7	1.7	2.5	1.7	2.2
Data Traffic (b MB)	4,192	4,829	5,547	6,453	7,240	7,640	8,590	9,618	21,020	33,088	7,787
Data usage/sub (MB)	11,930	13,116	13,928	14,972	16,655	16,409	17,017	17,681	13,284	16,370	16,863
<b>Airtel Africa</b>											
Mobile Subs (m)	100	104	107	111	111	116	119	121	111	121	114
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	45.2	45.2	49.7	41.8	45.9	43.7
EBIT Margin (%)	7.3	9.1	10.6	13.1	13.3	16.4	16.0	17.4	10.2	15.8	13.1
Adj. PAT Margins (%)	-6.8	-5.3	-4.9	-2.0	-1.8	-2.9	1.9	6.5	-4.7	0.9	1.1

E:MOFSL Estimates

**Africa nos rebound higher than 1QFY21 loss; EBITDA up 14% QoQ**

- Africa revenue/EBITDA jumped by a strong 13%/16% in CC. In reported currency, it increased 11%/14% to INR71.7b/INR32.5b.
- 9% ARPU recovery was seen (v/s a 4% fall last quarter), with 4% subscriber growth.

**Other segments present tailwinds**

- Home revenue/EBITDA grew 2%/-3% QoQ to INR5.9b/INR3.4b with a rise in capex. The Home segment has seen a healthy 5% subscriber adds (129k), offset by pressure on ARPU (down 2%).
- Enterprise revenue/EBITDA grew 2%/5% QoQ to INR35.8b/INR13.4b.
- Passive revenue/EBITDA was up 8%/6% to INR17.7b/INR9.3b. This business – which contributes 7%/8% to revenue/EBITDA – would not reflect in the

consolidated financials as the merger with Indus would lower Bharti's stake below 50%.

- Digital revenue/EBITDA, which normalized after the last quarter's impact, grew 1%/6% to INR7.5b/INR5.4b.

### Other highlights

- 4G subs adds were at 14.4m, compensating for the weak 2m adds in the last quarter (v/s an average 8m adds historically). July'20 TRAI data saw Bharti beat RJio's subs adds for the first time (with 4m adds).
- Data traffic grew 5.5% QoQ to 7.6b GB (16.4 GB/user). Surprisingly, both total data traffic and usage/subs moderated after seeing a sharp jump in the last quarter due to lockdown. Bharti's data traffic and data subscribers are less than half that of RJio. Moreover, the capacity gap is much smaller, highlighting better network experience and room for improvement.
- MOU remained stable (up 1%) at 1,005min.
- 4G base stations / towers saw strong 30k/5k adds to 537k/199k, in addition to a healthy ramp-up in fiber additions. Management indicated capex should moderate, which would be keenly observed.

### Key positives

- **Massive EBITDA beat despite no price hike:** The stock was a major underperformer in the last quarter; however, earnings growth has been resounding. Consol. rev/EBITDA jumped 7%/12% QoQ (9% beat); India Mobile EBITDA grew 13% QoQ (and 16% in the preceding two quarters), without a price hike.
- **Quality 4G subs adds aid ARPU:** India Mobile added strong 14.4m subscribers (~5m monthly), the highest reported by the company (except the 3QFY20 disruption quarter) – historically, July'20 has been the best month at the industry level in terms of subscriber adds. This was reflected in consistent ARPU increase of 3% to INR162. Gross subscribers too saw healthy 14m adds; recovery was higher than loss reported in the 1QFY21 lockdown quarter.
- **Other segments present tailwinds:** Africa saw strong 14% EBITDA growth, implying higher recovery v/s 1QFY21 loss. Home/Enterprise EBITDA, up -3%/5%, added healthy subscribers and is poised for healthy growth in the coming quarters.
- **Superior network capacity:** Despite robust data traffic volumes of 7.6b GB (with 16.4 GB/user), data traffic / subscribers are less than 50% of RJio levels. Moreover, the gap in network capacity is significantly smaller, highlighting a healthy network capacity and room for improvement. It has a healthy 537k base stations (closer to RJio), with the number of unique broadband towers also at a healthy 199k.

### Negatives

- **High capex driving down FCF:** Capex rose to INR67.9b v/s INR39.8b in 1QFY21; thus FCF post-interest slowed to INR13.3b v/s INR36.1b in 1QFY21. With 1HFY21 capex at INR108b v/s the full-year estimate of INR200b, there is a risk of upward capex revision.

- **AGR liability hurts net debt:** Both net debt and interest cost rose due to the inclusion of the INR234b AGR liability. Thus, net debt to EBITDA increased to 2.9x on 2QFY21 annualized EBITDA.

**Valuation and view**

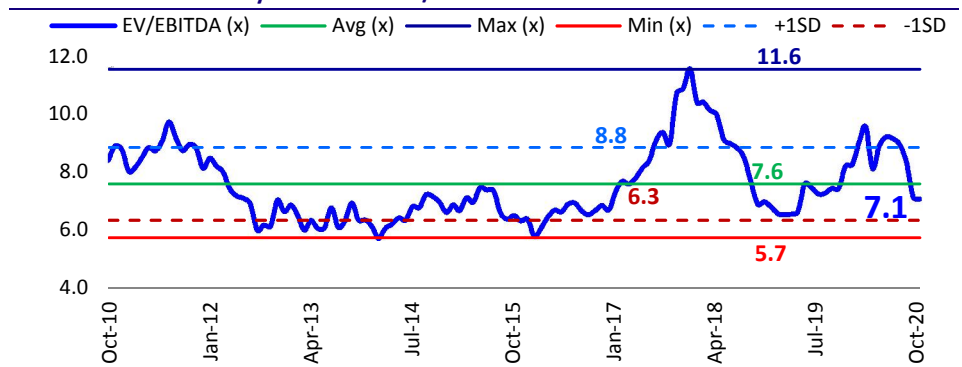
- Delay in tariff hikes has been a key issue and has led to sharp correction in the stock price. But, with a healthy FCF, Bharti’s position is hedged, with no urgent need to seek a price hike.
- We assign EV/EBITDA of 11x to the India Wireless business and 6x to the Africa business on FY22E. Subsequently, we arrive at SOTP-based TP of INR650.
- Our higher target multiple for the India Wireless business captures expected gains from any potential ARPU increase or rise in market share gains – both of which are not fully captured in our model. **Maintain Buy.**

**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)	352	100%	352	11	3,870	709
Tower business (15% discount to fair value)		53.5%			235	43
Africa business	154	55.2%	85	6	509	93
Less net debt					1074	197
<b>AGR Liability</b>						
<b>Total Value</b>					<b>3540</b>	<b>650</b>
Shares o/s (b)	5.5					
CMP						448
<b>Upside (%)</b>						<b>45</b>

Source: Company, MOFSL

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



Source: MOFSL, Company



**Highlights from management commentary**

**Key highlights**

- Competitive dynamics have been limiting tariff hikes. Bharti’s ARPU is already at a premium and would increase further once competitors initiate hikes.
- There are 160m digital customers and 82m monthly active users on Airtel Thanks. These could be leveraged for analytics and customized products and services to improve subscriber monetization.

- **The Broadband and Enterprise segments are poised for growth, with huge scope and record 1m/130k of homepasses and customers adds in 2QFY21, driven by the new LCO distribution model.**
- **High capex intensity was required in 1HFY21 to support high data growth in the lockdown, but this would moderate. 5G is still two years away, while spectrum renewal could come next year.**

### India Mobile business

- **Mobile business:** Overall, Bharti added 13.9m customers, and the churn was low at 2.2%, with ARPU growing to INR162.
- **Postpaid segment:** Bharti has stepped up the acquisition of corporate postpaid customers and added 710k subscribers in the Postpaid segment.
- **Upgrading networks:** Bharti has added more than 200k physical cell sites, added twin beams, refarmed spectrums, and added massive MIMOS to upgrade the quality of its networks and increase the reach of its networks. Bharti has also launched 4G services in the Andaman and Nicobar Islands.
- **Airtel Thanks:** Airtel Thanks now has over 82m monthly active users. Bharti is partnering with financial services firm to sell insurance and other financial products.
- **Quality customers:** Bharti is focused on winning quality customers by providing excellent customer services and engagements.
- **Margin improvement:** Operating leverage led to ~45% EBITDA margins in the India Wireless business, and this is expected to be sustainable.

### Broadband & DTH business

- **Growth:** The Broadband category is on the cusp of growth as the need for broadband connectivity emerges in education, work-from-home, and entertainment. Bharti added record 1m homepasses in 2Q and added 29 new cities in the LCO model. Bharti added record 130k customers in the Broadband segment. The company expects growth to continue, driven by work-from-home culture; revenue benefits would accrue from 3QFY21.
- **Scaling the LCO model:** Airtel has perfected the LCO model, and the firm is now beginning to scale the model and expand into the Home Broadband segment.
- **DTH:** Airtel has added 549k customers in the DTH segment, led by distribution synergies.
- **Airtel Xtreme:** Airtel Xtreme combines fiber and the 4K TV box for a seamless TV experience across screens.

### Enterprise business

- **Rising demand:** Enterprise demand has been rising, largely due to the quality of service and lower costs. Airtel added 6.6TB of capacity over the network in 2Q and launched applications – such as Blue Jeans and Airtel Cloud (partnered with AWS) – to deliver cloud solutions. It is also focused on growing Netxra, which lowers data storage costs for enterprise customers.
- **Airtel IQ:** Airtel launched 'Airtel IQ', a cloud-based omni-channel platform, to connect clients to their customers (with major tie-ups such as Swiggy). This is expected to be over a billion-dollar market opportunity.

- **Massive growth opportunity:** This segment has ample growth opportunities in a) the connectivity space – the company’s core business and b) other solutions, such as cybersecurity, cloud (Airtel has private, public, and edge cloud), data centers, video conferencing, and collaboration and partnership opportunities.
- **Mitra app:** The Mitra app is used by over 1m stores to complete billing transactions.

### 5G rollout and ORAN deployment

- **ORAN tests:** Bharti has tested for the first field deployment of the ORAN network, designed in-house.
- **ORAN network:** Bharti has formed an R&D team, which is working with vendors and software companies to develop the ORAN network and lower capex. The in-house team is developing indoor and outdoor small cells to develop the solution.
- **5G rollout:** The 5G rollout is still a few years away as 5G devices are costly and the network rollout would take longer. 5G has advantages such as faster speed and low latency, demand for which is currently low in India.
- **5G spectrum:** 5G spectrum prices are too high, which will lead to fewer investment opportunities for 5G solutions. The government might lay down some guidelines in Jan’21 for 5G auctions. However, high spectrum prices would be a key barrier for bidding, and Bharti would not participate in the auction at higher prices.

### Business outlook

- **Deleveraging strategy:** 70% of the debt consists of deferred spectrum and lease liability. Thus, market debt is limited, which may gradually be reduced by improving FCF: a) USD235m from Carlyle Group, b) stake in fiber assets, and c) dividends from Bharti Infratel.
- **Capex & FCF:** 1Q capex was lower due to the lockdown; 2Q capex increased due to massive network demand from a surge in data consumption and increasing coverage and capacity. All of the business segments in India and Africa are FCF-positive.
- **Resistance to tariff hikes:** Competitive dynamics have been limiting the tariff hikes; Bharti’s customers have the capability to absorb additional tariff hikes.
- **Bharti Infratel merger update:** The Infratel merger has been approved by NLCT as well; it may be completed over the next 15–20 days. Airtel would own a 37% stake in the new entity. VIL would be cashed out for its stake in Indus towers. The merged entity would serve all of the operators in the market.
- **Airtel Africa:** Over the next few quarters, Airtel Africa would have independent credit ratings, and it could raise funds independently.
- **New customers:** Every year in India, 30–40m customers enter the Mobility segment.
- **Smartphone distribution:** The company is exploring the space of low-cost smartphones. The distribution of handsets by telcos is a high-cost business. The company is focusing on converting 2G customers to 4G, which would drive ARPU growth.
- **Data consumption:** Data consumption is expected to moderate as it has remained elevated during the lockdown.



- **Spectrum holdings:** Sub 1800MHz is expiring, and the company would evaluate whether the spectrum is required. Bharti's spectrum holding in the mid-band is strong currently, and it may look to add a spectrum in the GHz band.
- **Ghana sellout:** It decided to sell its stake in Ghana to the government due to losses incurred in the business.

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

	2QFY20	1QFY21	2QFY21	YoY%	QoQ%	2QFY21E	v/s Est (%)
<b>Revenue</b>							
Mobile India	109,813	128,772	138,319	26.0	7.4	131,700	5.0
Telemedia	5,475	5,786	5,873	7.3	1.5	6,002	-2.2
Enterprise	33,312	35,019	35,821	7.5	2.3	36,070	-0.7
Passive Infrastructure	16,673	16,421	17,663	5.9	7.6	16,669	6.0
Digital TV	7,893	7,448	7,548	-4.4	1.3	7,647	-1.3
South Asia	1,105	1,088	1,116	1.0	2.6	1,175	-5.0
Others	-1	4	22	-2300.0	450.0	4	439.2
Africa	59,157	64,513	71,660	21.1	11.1	66,064	8.5
Eliminations	-22,114	-19,663	-20,175	-8.8	2.6	-20,141	0.2
<b>Consolidated Revenue</b>	<b>211,313</b>	<b>239,388</b>	<b>257,847</b>	<b>22.0</b>	<b>7.7</b>	<b>245,189</b>	<b>5.2</b>
<b>EBITDA</b>							
Mobile India	39,913	52,227	58,919	47.6	12.8	53,330	10.5
Telemedia	2,471	3,514	3,424	38.6	-2.6	3,646	-6.1
Enterprise	9,396	12,711	13,377	42.4	5.2	13,092	2.2
Passive Infrastructure	9,268	8,742	9,293	0.3	6.3	8,874	4.7
Digital TV	5,607	5,041	5,351	-4.6	6.1	5,176	3.4
South Asia	84	98	115	37.2	17.0	54	113.6
Others	0	0	0	NM	NM	0	NM
Africa	25,941	28,413	32,444	25.1	14.2	29,868	8.6
Eliminations	-4,077	-6,667	-7,458	82.9	11.9	-6,865	8.6
<b>Consolidated EBITDA</b>	<b>88,603</b>	<b>104,079</b>	<b>116,420</b>	<b>31.4</b>	<b>11.9</b>	<b>107,174</b>	<b>8.6</b>
<b>Consolidated EBITDA (Adj. for Ind-As 116)</b>	<b>73,215</b>	<b>88,691</b>	<b>101,032</b>	<b>38.0</b>	<b>13.9</b>	<b>91,786</b>	<b>10.1</b>
<b>EBITDA margin (%)</b>							
Mobile India	36.3	40.6	42.6	625bps	204bps	40.5	210bps
Telemedia	45.1	60.7	58.3	1318bps	-243bps	60.7	-244bps
Enterprise	28.2	36.3	37.3	914bps	105bps	36.3	105bps
Passive Infrastructure	55.6	53.2	52.6	-297bps	-62bps	53.2	-62bps
Digital TV	71.0	67.7	70.9	-15bps	321bps	67.7	321bps
Mobile South Asia	7.6	9.0	10.3	272bps	127bps	4.6	573bps
Africa	43.9	44.0	45.3	142bps	123bps	45.2	6bps
<b>Consolidated EBITDA margin</b>	<b>41.9</b>	<b>43.5</b>	<b>45.2</b>	<b>322bps</b>	<b>167bps</b>	<b>43.7</b>	<b>144bps</b>
Depreciation and amortization	69,351	72,268	74,211	7.0	2.7	74,965	-1.0
Operating income	19,252	31,811	42,209	119.2	32.7	32,208	31.1
Other income and share of JV/Associate	3,601	6,471	1,066	-70.4	-83.5	7,432	-85.7
Net finance cost	29,083	34,562	37,604	29.3	8.8	33,715	11.5
<b>Proforma Profit Before Taxes</b>	<b>-6,230</b>	<b>3,720</b>	<b>5,671</b>	<b>-191.0</b>	<b>52.4</b>	<b>5,925</b>	<b>-4.3</b>
Exceptional Items	307,110	117,457	493	-99.8	-99.6	0	NM
Proforma Tax	-85,039	38,175	5,517	-106.5	-85.5	2,370	132.8
Effective Tax Rate (%)	1365.0	1026.2	97.3	NM	NM	40.0	143.2
<b>Proforma Profit After Tax</b>	<b>-228,301</b>	<b>-151,912</b>	<b>-339</b>	<b>-99.9</b>	<b>-99.8</b>	<b>3,555</b>	<b>NM</b>
Proforma Minority Interest	2,148	7,419	7,293	239.5	-1.7	917	695.2
<b>Proforma Net Profit</b>	<b>-230,449</b>	<b>-159,331</b>	<b>-7,632</b>	<b>-96.7</b>	<b>-95.2</b>	<b>2,638</b>	<b>NM</b>
<b>Proforma Adj. Net Profit</b>	<b>-11,229</b>	<b>-4,363</b>	<b>-7,444</b>	<b>NM</b>	<b>NM</b>	<b>2,638</b>	<b>NM</b>

Source: MOFSL, Company



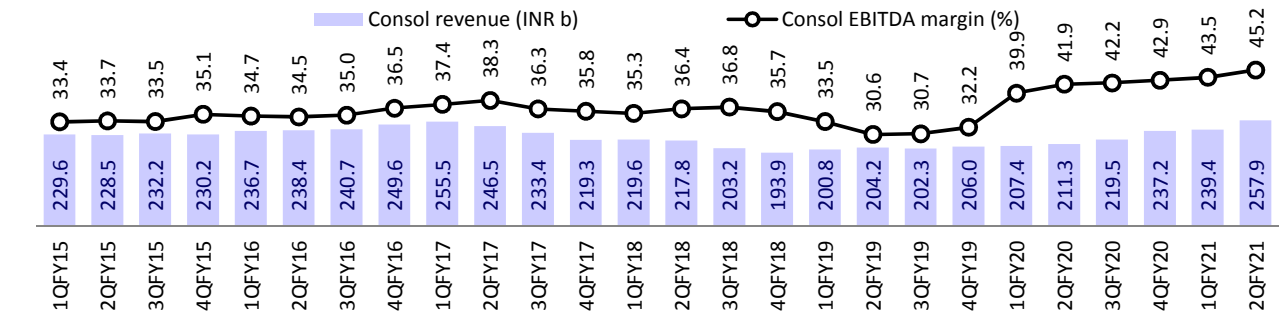
**Exhibit 4: Summary of estimate change**

	<b>FY21E</b>	<b>FY22E</b>
<b>Revenue consolidated (INR b)</b>		
Old	999	1123
New	1012	1058
Change (%)	1.3	-5.8
<b>EBITDA consolidated (INR b)</b>		
Old	446	528
New	465	546
Change (%)	4.1	3.2
<b>EBITDA margin consolidated (%)</b>		
Old	44.7	47.0
New	45.9	51.5
Change (bp)	121	450
<b>India Mobile Revenue (INR b)</b>		
Old	541	633
New	533	528
Change (%)	-1	-16
<b>India Mobile EBITDA (INR b)</b>		
Old	225	291
New	238	289
Change (%)	6	-1
<b>India ARPU (INR)</b>		
Old	41.7	46.1
New	44.7	54.7
Change (%)	298	862
<b>Adj. EPS (INR)</b>		
Old	269	291
New	286	316
Change (%)	6.3	8.6
<b>Africa Mobile Revenue (INR b)</b>		
Old	126	137
New	129	154
Change (%)	2.5	12.6
<b>Africa Mobile EBITDA (INR b)</b>		
Old	46.6	47.0
New	45.0	48.7
Change (%)	-1.6	1.7

Source: Company, MOFSL

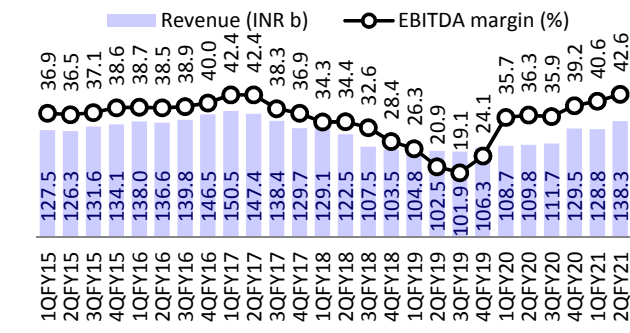
## Story in charts

**Exhibit 5: Consol. revenue increased 8% QoQ; consol. EBITDA margin expanded 170bp (INR b, %)**

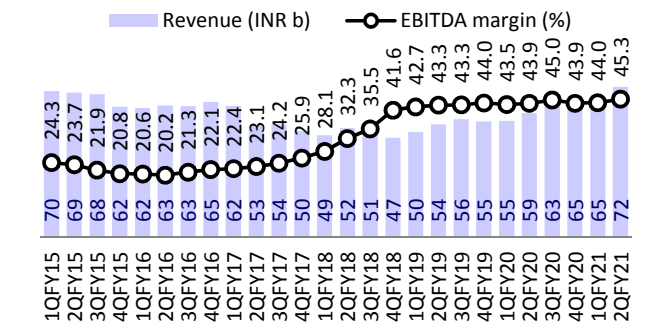


Source: MOFSL, Company

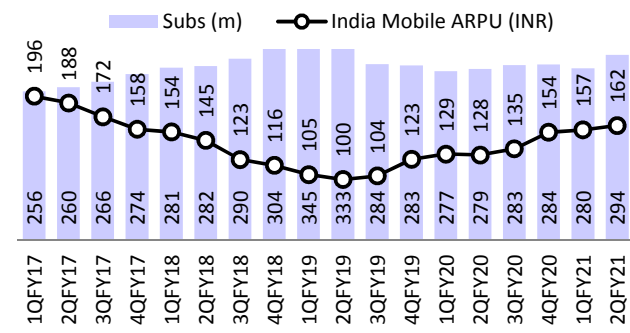
**Exhibit 6: India Mobile revenue increased 7.7% QoQ**



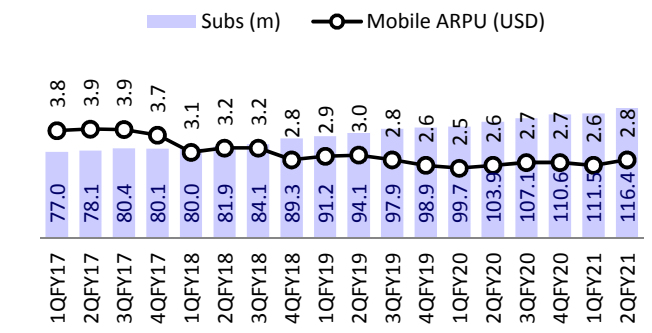
**Exhibit 7: Africa revenue increased 11% QoQ**



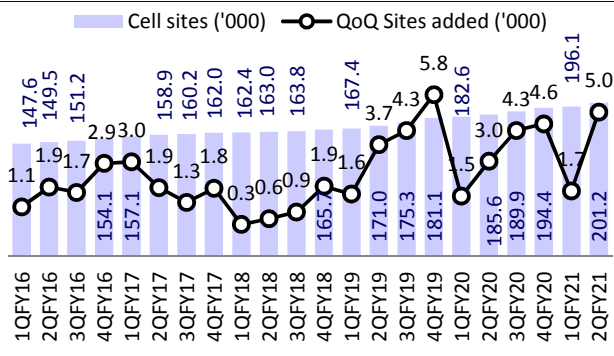
**Exhibit 8: India Mobile ARPU stood at INR162**



**Exhibit 9: Africa ARPU increased to USD2.8**

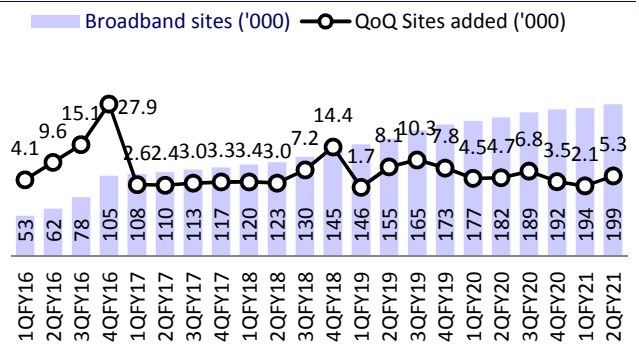


**Exhibit 10: India Mobile total cell site base and quarterly additions**



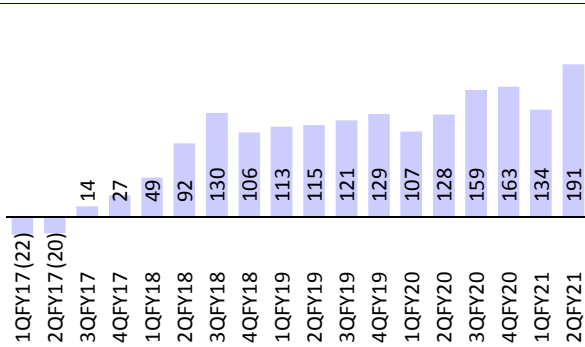
Source: Company, MOFSL

**Exhibit 11: India Mobile broadband site base and quarterly additions**



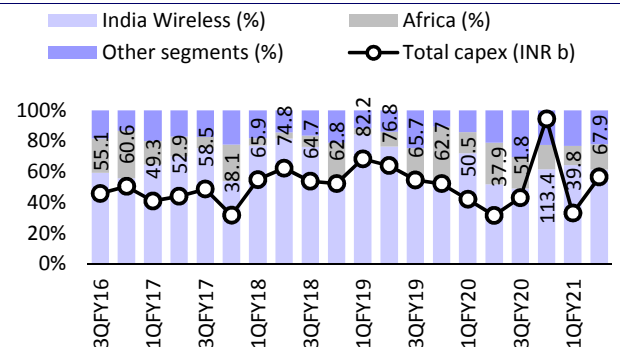
Source: Company, MOFSL

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



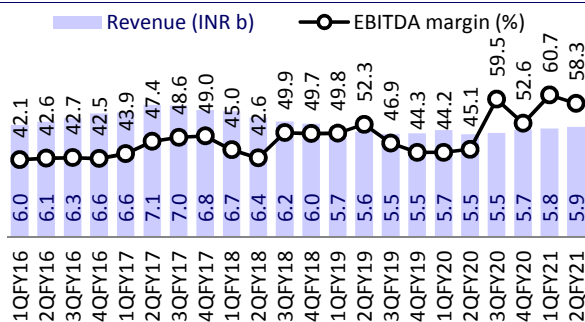
Source: Company, MOFSL

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



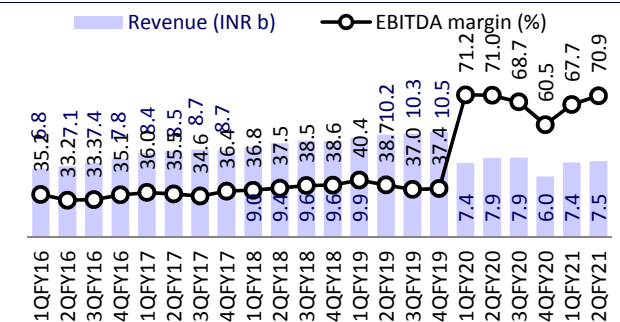
Source: Company, MOFSL

**Exhibit 14: Telemedia business revenue grew 1% QoQ**



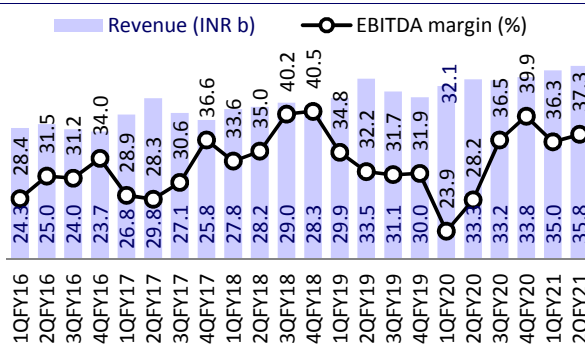
Source: Company, MOFSL

**Exhibit 15: Digital TV business trend**



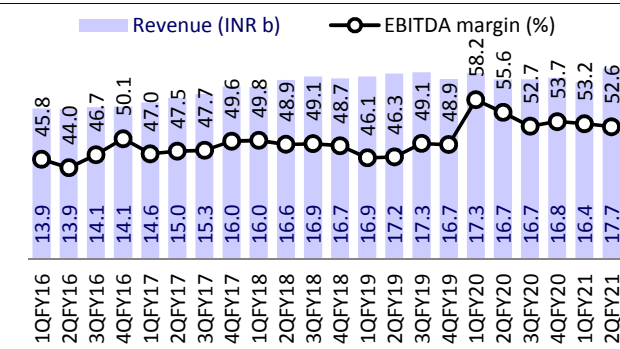
Source: Company, MOFSL

**Exhibit 16: Enterprise business revenue trend**



Source: Company, MOFSL

**Exhibit 17: Passive Infra business revenue trend**



Source: Company, MOFSL

**Exhibit 18: Business mix**

<b>Revenue (INR b)</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Mobile	467	520	561	566	463	416	460	533	528
Telemedia	39	44	25	28	25	22	22	24	26
Enterprise	63	67	97	109	113	125	132	145	157
Passive Infrastructure	51	54	56	61	66	68	67	70	76
Others (incl South Asia)	41	43	49	49	46	47	34	35	39
Africa	272	269	251	220	191	215	242	286	316
Total revenue	934	998	1039	1032	904	892	958	1093	1142
Eliminations and others	77	77	76	78	78	84	82	81	83
<b>Consolidated revenue</b>	<b>857</b>	<b>920</b>	<b>963</b>	<b>955</b>	<b>826</b>	<b>808</b>	<b>875</b>	<b>1012</b>	<b>1058</b>
<b>YoY%</b>	<b>11</b>	<b>7</b>	<b>5</b>	<b>-1</b>	<b>-13</b>	<b>-2</b>	<b>8</b>	<b>16</b>	<b>5</b>
<b>EBITDA (INR b)</b>									
Mobile	158	194	219	227	151	94	170	238	289
Telemedia	15	18	11	13	12	11	11	14	15
Enterprise	14	14	30	34	42	41	43	54	59
Passive Infrastructure	0	0	26	29	33	32	37	37	40
Others (incl South Asia)	2	5	8	10	10	13	20	22	24
Africa	71	61	53	51	68	93	107	129	154
Total EBITDA	259	292	347	364	315	285	388	493	581
Eliminations and others	-6	-5	-7	-11	-14	-26	-22	-30	-35
<b>Consolidated EBITDA</b>	<b>254</b>	<b>287</b>	<b>340</b>	<b>353</b>	<b>301</b>	<b>258</b>	<b>366</b>	<b>464</b>	<b>546</b>
<b>YoY%</b>	<b>27</b>	<b>13</b>	<b>19</b>	<b>4</b>	<b>-15</b>	<b>-14</b>	<b>42</b>	<b>27</b>	<b>18</b>
<b>Consolidated EBITDA margin (%)</b>	<b>32.3</b>	<b>33.9</b>	<b>35.2</b>	<b>37.0</b>	<b>36.4</b>	<b>31.9</b>	<b>41.8</b>	<b>45.9</b>	<b>51.5</b>
<b>Capex (INR b)</b>									
<b>Consolidated capex</b>	<b>175</b>	<b>210</b>	<b>271</b>	<b>384</b>	<b>267</b>	<b>305</b>	<b>221</b>	<b>222</b>	<b>344</b>
<b>YoY%</b>	<b>34</b>	<b>20</b>	<b>29</b>	<b>42</b>	<b>-30</b>	<b>14</b>	<b>-28</b>	<b>0</b>	<b>55</b>
<b>Capex/Sales (%)</b>	<b>20</b>	<b>23</b>	<b>28</b>	<b>40</b>	<b>32</b>	<b>38</b>	<b>25</b>	<b>22</b>	<b>33</b>

Source: Company, MOFSL

## Financials and valuations

Consolidated – Income Statement								(INR b)	
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>857</b>	<b>920</b>	<b>965</b>	<b>955</b>	<b>826</b>	<b>808</b>	<b>875</b>	<b>1,012</b>	<b>1,058</b>
Change (%)	11.5	7.3	4.9	-1.1	-13.4	-2.2	8.4	15.7	4.5
<b>Total Expenditure</b>	<b>581</b>	<b>608</b>	<b>625</b>	<b>601</b>	<b>526</b>	<b>550</b>	<b>509</b>	<b>548</b>	<b>513</b>
% of Sales	67.7	66.1	64.8	63.0	63.6	68.1	58.2	54.1	48.5
<b>EBITDA</b>	<b>277</b>	<b>312</b>	<b>340</b>	<b>353</b>	<b>301</b>	<b>258</b>	<b>366</b>	<b>465</b>	<b>546</b>
Margin (%)	32.3	33.9	35.2	37.0	36.4	31.9	41.8	45.9	51.5
Depreciation	156	155	174	198	192	213	277	305	347
<b>EBIT</b>	<b>120</b>	<b>157</b>	<b>165</b>	<b>156</b>	<b>108</b>	<b>44</b>	<b>89</b>	<b>160</b>	<b>198</b>
Int. and Finance Charges	48	48	69	77	81	96	124	140	142
Other Income	6	7	11	10	13	5	9	18	22
<b>PBT bef. EO Exp.</b>	<b>78</b>	<b>115</b>	<b>107</b>	<b>89</b>	<b>41</b>	<b>-47</b>	<b>-26</b>	<b>38</b>	<b>78</b>
EO Items	1	-8	22	-12	-8	29	-402	-118	0
<b>PBT after EO Exp.</b>	<b>79</b>	<b>107</b>	<b>128</b>	<b>77</b>	<b>33</b>	<b>-17</b>	<b>-428</b>	<b>-80</b>	<b>78</b>
Total Tax	48	54	60	35	11	-34	-122	55	31
Tax Rate (%)	61.6	50.4	46.3	45.1	33.2	197.4	28.4	-68.8	40.0
Minority Interest	2	1	8	4	11	13	15	10	22
<b>Reported PAT</b>	<b>28</b>	<b>52</b>	<b>61</b>	<b>38</b>	<b>11</b>	<b>4</b>	<b>-322</b>	<b>-146</b>	<b>24</b>
<b>Adjusted PAT</b>	<b>28</b>	<b>56</b>	<b>49</b>	<b>44</b>	<b>14</b>	<b>-35</b>	<b>-41</b>	<b>10</b>	<b>24</b>
Change (%)	43.0	102.7	-12.0	-9.5	-68.6	-350.3	16.6	-123.5	153.9
Margin (%)	3.2	6.1	5.1	4.7	1.7	-4.3	-4.7	0.9	2.3

Consolidated – 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	599	623
<b>Net Worth</b>	<b>598</b>	<b>620</b>	<b>668</b>	<b>675</b>	<b>695</b>	<b>714</b>	<b>771</b>	<b>626</b>	<b>650</b>
Minority Interest	42	49	55	69	88	135	250	260	283
Total Loans	759	807	1,005	1,073	1,113	1,254	1,176	1,391	1,220
Lease liabilities							306	306	306
Deferred Tax Liabilities	-46	-44	-34	-17	-22	-83	-263	-263	-263
<b>Capital Employed</b>	<b>1,353</b>	<b>1,431</b>	<b>1,693</b>	<b>1,799</b>	<b>1,875</b>	<b>2,021</b>	<b>2,241</b>	<b>2,320</b>	<b>2,197</b>
<b>Net Fixed Assets</b>	<b>1,406</b>	<b>1,501</b>	<b>1,780</b>	<b>1,891</b>	<b>1,589</b>	<b>1,684</b>	<b>1,690</b>	<b>1,994</b>	<b>1,990</b>
<b>Right of use assets</b>							259	259	259
<b>Total Investments</b>	<b>155</b>	<b>170</b>	<b>120</b>	<b>182</b>	<b>180</b>	<b>176</b>	<b>278</b>	<b>141</b>	<b>141</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>208</b>	<b>227</b>	<b>311</b>	<b>234</b>	<b>327</b>	<b>382</b>	<b>724</b>	<b>1,048</b>	<b>924</b>
Inventory	1	1	2	0	1	1	2	1	2
Account Receivables	62	67	55	47	59	43	46	57	51
Cash and Bank Balance	50	12	37	13	48	62	136	410	279
Loans and Advances	94	146	217	173	219	276	541	580	593
<b>Curr. Liability &amp; Prov.</b>	<b>416</b>	<b>468</b>	<b>518</b>	<b>507</b>	<b>602</b>	<b>641</b>	<b>1,097</b>	<b>1,121</b>	<b>1,117</b>
Account Payables	405	459	508	497	577	621	621	645	639
Provisions	12	8	10	10	25	20	476	476	478
<b>Net Current Assets</b>	<b>-209</b>	<b>-241</b>	<b>-207</b>	<b>-273</b>	<b>-275</b>	<b>-259</b>	<b>-373</b>	<b>-73</b>	<b>-193</b>
<b>Appl. of Funds</b>	<b>1,353</b>	<b>1,431</b>	<b>1,693</b>	<b>1,799</b>	<b>1,875</b>	<b>2,021</b>	<b>2,241</b>	<b>2,320</b>	<b>2,197</b>

E: MOFSL Estimates

## Financials and valuations

<b>Ratios</b>									
<b>Y/E March</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
<b>Basic (INR)</b>									
<b>EPS</b>	<b>6.9</b>	<b>14.0</b>	<b>12.3</b>	<b>11.1</b>	<b>3.5</b>	<b>-8.7</b>	<b>-7.5</b>	<b>1.8</b>	<b>4.5</b>
Cash EPS	46.0	52.8	55.9	60.6	51.6	44.7	43.3	57.6	68.1
BV/Share	149.5	155.0	168.8	168.8	173.9	178.7	141.4	114.7	119.2
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
<b>Valuation (x)</b>									
P/E	80.3	39.6	45.0	49.7	158.3	NM	NM	255.0	100.4
Cash P/E	12.0	10.5	9.9	9.1	10.7	12.4	10.3	7.8	6.6
P/BV	3.7	3.6	3.3	3.3	3.2	3.1	3.2	3.9	3.8
EV/Sales	3.4	3.3	3.3	3.4	4.0	4.2	4.3	3.7	3.5
EV/EBITDA	10.6	9.6	9.3	9.0	10.6	12.9	10.4	8.0	6.8
Dividend Yield (%)	0.3	0.4	0.2	0.2	0.2	0.0	0.0	0.0	0.0
<b>Return Ratios (%)</b>									
RoE	5.0	9.2	7.6	6.6	2.0	NM	NM	1.4	3.8
RoCE	3.8	5.8	6.1	5.3	4.6	NM	3.6	6.7	6.8
RoIC	4.2	6.5	6.4	5.4	4.5	NM	3.7	6.7	6.7
<b>Working Capital Ratios</b>									
Asset Turnover (x)	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.5
Debtor (Days)	27	27	21	18	26	19	19	21	17
<b>Leverage Ratio (x)</b>									
Net Debt/Equity	0.9	1.0	1.3	1.3	1.3	1.4	1.4	1.8	1.7

<b>Consolidated – Cash Flow Statement</b>									<b>(INR b)</b>
<b>Y/E March</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
OP/(Loss) before Tax	79	107	128	77	33	-17	-428	-80	78
Depreciation	156	155	174	198	192	213	277	305	347
Interest & Finance Charges	59	73	85	95	93	110	137	140	142
Direct Taxes Paid	-35	-46	-47	-32	-14	-12	-23	-55	-31
(Inc)/Dec in WC	18	-2	-4	-27	6	-55	-166	-25	-11
<b>CF from Operations</b>	<b>276</b>	<b>288</b>	<b>338</b>	<b>311</b>	<b>311</b>	<b>239</b>	<b>-203</b>	<b>284</b>	<b>525</b>
Others	-14	-12	-58	-19	-12	-39	384	0	0
<b>CF from Operating incl EO</b>	<b>262</b>	<b>276</b>	<b>279</b>	<b>292</b>	<b>299</b>	<b>201</b>	<b>181</b>	<b>284</b>	<b>525</b>
(Inc)/Dec in FA	-175	-210	-271	-384	-267	-305	-221	-222	-344
<b>Free Cash Flow</b>	<b>88</b>	<b>66</b>	<b>8</b>	<b>-92</b>	<b>31</b>	<b>-105</b>	<b>-40</b>	<b>62</b>	<b>181</b>
(Pur)/Sale of Investments	-37	-12	68	-1	-33	1	-88	138	0
Others	-28	14	61	69	40	28	5	0	0
<b>CF from Investments</b>	<b>-240</b>	<b>-207</b>	<b>-142</b>	<b>-316</b>	<b>-260</b>	<b>-277</b>	<b>-305</b>	<b>-84</b>	<b>-344</b>
Issue of Shares	68	0	1	1	0	99	462	0	0
Inc/(Dec) in Debt	14	-72	-118	9	40	106	-180	214	-170
Interest Paid	-38	-34	-33	-59	-44	-76	-110	-140	-142
Dividend Paid	-7	-21	-15	-9	-33	-47	-18	0	0
Others	-12	31	47	53	56	13	37	0	0
<b>CF from Fin. Activity</b>	<b>26</b>	<b>-97</b>	<b>-118</b>	<b>-4</b>	<b>19</b>	<b>95</b>	<b>191</b>	<b>74</b>	<b>-312</b>
<b>Inc/Dec of Cash</b>	<b>48</b>	<b>-28</b>	<b>19</b>	<b>-28</b>	<b>58</b>	<b>19</b>	<b>73</b>	<b>279</b>	<b>-126</b>
Opening Balance	1	40	-1	18	-10	41	54	131	405
<b>Closing Balance</b>	<b>50</b>	<b>12</b>	<b>37</b>	<b>13</b>	<b>48</b>	<b>62</b>	<b>136</b>	<b>410</b>	<b>279</b>
Less Bank OD	10	13	-19	-23	-19	-8	-5	-5	-5
<b>Closing Cash Balance (with OD)</b>	<b>40</b>	<b>-1</b>	<b>18</b>	<b>-10</b>	<b>28</b>	<b>54</b>	<b>131</b>	<b>405</b>	<b>274</b>

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
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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