

### Stellar performance

- Bharti reported strong all-round beat in Q3FY21 across both India Wireless and Africa. A solid 14mn subscriber, 13mn 4G additions, 2.4% QoQ ARPU in India Wireless and 2.55mn sub adds in Africa with 3.7% QoQ ARPU growth were key highlights. Bharti's performance was significantly ahead of leader on all the operating parameters.
- Bharti's strong business trajectory, reasonable valuations (~8.2/6.7x FY22/23E EV/EBITDA) should further raise investor confidence. While tariff increase is a welcome potential trigger and inevitable for a three-player market structure, Bharti is well-poised to gain market share and grow even in absence of the same. In our view, investors would be better-off not-losing the sight on long-term potential upsides for short-term delay in tariff hikes. Bharti remains well-poised to capitalize on the potential upside from the weakness of VIL and/or tariff hikes. Reiterate BUY with TP of Rs 700 @ 10/6x Dec-22E EV/EBITDA for India Wireless/Africa (earlier Rs 663 @ Sep-22E EV/E).**

### Operating and Financial highlights – Beat on all counts

**Consolidated revenues** were at Rs 265.2bn, +5.8/24.2% QoQ/YoY, EBITDA at Rs 120.5bn, +8.9/38.3% QoQ/YoY. Margin stood at 45.5% (+128/461bps QoQ/YoY). **India business** revenue at Rs 188.6bn was +4.7/+24.2% QoQ/YoY and EBITDA at Rs 85.9bn is +7.3/44% QoQ/YoY. EBITDA margin is up by 113/628bps QoQ/YoY at 45.8%.

**India wireless business** revenue/EBITDA grew by a healthy 6.8/9.6% QoQ. ARPU increased by 2.4% QoQ to Rs 166 from Rs 162. **Africa** revenue stood at Rs 76.4bn (+6.7% QoQ) and EBITDA at Rs 35.9bn (+10.5% QoQ). **PBT** stood at Rs 4bn. Capex was Rs 69bn (India Rs 54bn) and Mobile business Rs 42bn. 9MFY21 capex stood at Rs 173bn. **Net debt** including AGR liabilities stands at Rs 1.47tn viz. 3.1x Net Debt/EBITDA. Net debt increased by Rs 43.5bn QoQ on account of higher capex, lease liability payment and for acquisition of addition 4.3% stake in Infratel.

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	265,178	213,436	24.2	250,604	5.8
Total Expense	144,648	126,272	14.6	139,907	3.4
EBITDA	120,530	87,164	38.3	110,697	8.9
Depreciation	75,031	68,178	10.1	72,862	3.0
EBIT	45,499	18,986	139.6	37,835	20.3
Other Income	492	3,067	(84.0)	1,031	(52.3)
Interest	39,719	32,893	20.8	37,914	4.8
EBT	(39,327)	(21,340)	84.3	458	(8687.2)
Tax	43,067	(11,637)	(470.1)	4,135	941.5
RPAT	(84,600)	(7,688)	1000.4	(6,603)	1181.3
APAT	(84,600)	(7,688)	1000.4	(6,603)	1181.3
			(bps)		(bps)
Gross Margin (%)	88.4	87.3	115	88.3	11
EBITDA Margin (%)	45.5	40.8	461	44.2	128
NPM (%)	(31.9)	(3.6)	(2830)	(2.6)	(2927)
Tax Rate (%)	(109.5)	54.5	(16404)	902.9	(101241)
EBIT Margin (%)	17.2	8.9	826	15.1	206

CMP	Rs 601
Target / Upside	Rs 701 / 17%
NIFTY	14,790

### Scrip Details

Equity / FV	Rs 27,278mn / Rs 5
Market Cap	Rs 3,277bn
	USD 45bn
52-week High/Low	Rs 623/ 362
Avg. Volume (no)	18,330,300
Bloom Code	BHARTI IN

Price Performance	1M	3M	12M
Absolute (%)	16	33	16
Rel to NIFTY (%)	11	8	(8)

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	56.2	56.2	56.2
MF/Banks/FIs	18.4	20.3	20.1
FIIIs	20.2	17.6	17.8
Public / Others	5.2	6.0	5.9

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	(60.4)	38.8	19.2
EV/EBITDA	10.2	7.9	6.4
ROE (%)	(37.0)	13.1	22.0
RoACE (%)	3.2	9.5	11.7

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	1,009,953	1,139,388	1,293,235
EBITDA	458,229	569,189	663,994
PAT	(54,251)	84,437	170,379
EPS (Rs.)	(9.9)	15.5	31.2

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**Exhibit 1: Actual vs. Estimates**

(Rs Mn)	Actual	Estimate	Var %	Remarks
Net Sales	2,65,178	2,57,298	3.1	Operating performance better than expected on account of strong subscriber additions and ARPU growth in India
EBITDA	1,20,530	1,14,245	5.5	
EBITDA Margin (%)	45.5	44.4	105 bps	
PBT	4,066	10,376	(60.8)	Yet PBT is lower than estimate on account of higher finance and D&A charges

Source: DART, Company

**Exhibit 2: Change in estimates**

	FY21E			FY22E			FY23E			Remarks
	Old	New	Chg %	Old	New	Chg %	Old	New	Chg %	
<b>India Wireless</b>										Change in estimates to factor strong performance in India business
Subscribers (Mn)	298	315	5.9	307	335	9.3	316	355	12.5	
ARPU (Rs)	156	154	(1.0)	165	161	(2.7)	186	177	(4.6)	
Revenue (Rs Bn)	546	555	1.7	599	627	4.6	695	736	5.8	
<b>Consolidated</b>										Increase in our estimates is despite de-consolidation of tower business on reduction in holding % post-merger
Net Sales (Rs Bn)	1,022	1,010	(1.2)	1,124	1,139	1.4	1,259	1,293	2.7	
EBITDA (Rs Bn)	467	458	(1.9)	562	569	1.3	647	664	2.6	
EBITDA Margin (%)	45.7	45.4	(33 bps)	50.0	50.0	(4 bps)	51.4	51.3	(7 bps)	
APAT (Rs Bn)	(157)	(151)	(3.5)	84	84	0.5	161	170	5.8	
AEPS (Rs)	(28.8)	(27.8)	(3.5)	15.4	15.5	0.5	29.5	31.2	5.8	

Source: DART, Company

## Con-call Highlights

### Drivers of subscriber growth

- Bharti's relentless focus on provide best-quality services at affordable prices through omni-channels, lower costs has been key. Bharti highlighted of gaining market share from competition. It also stated of its revenue market share being at life-time high of ~35% as per them.
- Bharti categorically stated of staying away from subsidy model due to low-ROCE in the business and experience from competition of lack-of stickiness of customers post the bundled offer gets over.
- Mgmt did highlighted that with 300mn feature phone customers have the propensity to get upgraded to data. In 5 years 2G may be behind with significant switch happening to 4G over next 2-3 years itself.

### Home Broadband at the cusp of hyper-growth

- Post the tariff corrections in end Q2FY21, Bharti witnessed a healthy subscriber addition in Home broadband business with drop in ARPU. Management expects to shutdown copper led broadband business in a year and switch to better-technology fiber route. No of cities reached increased significantly during the quarter from 145 to 219. It targets to reach ~1,000 cities in a year. Bharti would roll-outs in top cities on its and in-conjunction with cable partners in smaller cities.

### **Spectrum auction strategy**

- Bharti would like to expand its foot-print in <1GHz band especially in circles of Maharashtra, MP, Gujarat, Kerala, UP West etc Besides that it would look to renew spectrum in the 1800MHz as well as add capacity spectrum in 2300MHz.

### **Tariff hikes**

- Bharti remains cognizant of industry need of higher ARPU of atleast Rs 200 and then Rs 300. But it is a competitive issue. It would be ready to increase as and when other player takes the lead. Bharti's ARPU is already at premium to peers.

### **DTH business outlook**

- Contrary to West, Bharti sees strong growth opportunity in the DTH business. This is on account of low TV and C&S household penetration, low fixed-line broadband penetration, high costs of data and streaming services vs. significantly cheaper linear content. Streaming is a niche industry in India as dependent on broadband penetration and content pricing. Additionally, it also sees opportunity in conversion of digital/terrestrial cable customers to DTH due to inferior services from the former.
- Bharti is now strong number 2 player in DTH business.

### **Debt profile over next two years**

- Debt reduction remains a key focus area. Bharti expects the debt to go down led by strong FCF generation, monetization opportunity in Indus Towers etc as well as dividends from Indus Tower and Africa. Historically, Bharti has announced dividend to the extent received from subsidiaries. However, in the short-term it would prefer to reduce debt. Net Debt/EBITDA between 2-3x is a fair and manageable number as per the management.

### **Meaningful timeline for 5G rollout**

- As per Bharti, 5G ecosystem is nascent. That said, 4-5% of devices shipment were 5G enabled in Dec'20 vs. 2-3% in Oct and close to nil prior to that. Bharti's Hyderabad demonstration of 5G services was to showcase their readiness of being 5G ready as and when the market evolves. Capex on 5G will be prima-facie a replacement capex of earlier technologies viz. 2G-4G. Backhaul, transport etc are already 5G ready and capex will be more on radio for 5G.
- Relentless focus on delivery. Network faults down by 60% and non-network faults even higher. Branding and positioning. Simplified way of GTM – measurement and processes. We can track revenue share at 1mn retail points. Circle to 700 districts to Tehsils to Site levels.

### **Impairment charges**

- Impairment charge on network has been for copper-broadband networks. Impairment on 3G networks has already been taken couple of quarters back as Bharti was winding-up 3G services.

### **AGR matter**

- Bharti stated that they are not in denial with SC judgement. It has filed an appeal in the SC requesting it to direct DOT to correct the basic arithmetical errors. The matter is yet to be listed for hearing.

**Exhibit 3: Consolidated Quarterly Financials**

Rs Bn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
<b>Revenues</b>	<b>213.4</b>	<b>230.2</b>	<b>232.9</b>	<b>250.6</b>	<b>265.2</b>	<b>24.2</b>	<b>5.8</b>
Access charges	27.1	28.3	28.0	29.2	30.6	13.0	4.8
<b>Net revenue</b>	<b>186.3</b>	<b>201.9</b>	<b>204.9</b>	<b>221.4</b>	<b>234.5</b>	<b>25.9</b>	<b>5.9</b>
License fees	17.9	20.6	20.8	22.4	23.0	28.4	2.7
Network costs	49.8	51.5	51.0	54.2	55.5	11.3	2.4
Employee Costs	8.9	9.5	10.7	10.2	10.3	15.1	0.9
SG&A	22.5	24.1	23.3	24.0	25.3	12.4	5.7
Total Opex	99.2	105.7	105.7	110.7	114.0	15.0	3.0
<b>EBITDA</b>	<b>87.2</b>	<b>96.2</b>	<b>99.2</b>	<b>110.7</b>	<b>120.5</b>	<b>38.3</b>	<b>8.9</b>
D&A	68.2	68.6	71.1	72.9	75.0	10.1	3.0
<b>EBIT</b>	<b>19.0</b>	<b>27.6</b>	<b>28.0</b>	<b>37.8</b>	<b>45.5</b>	<b>139.6</b>	<b>20.3</b>
Finance cost (net)	32.9	41.5	34.7	37.9	39.7	20.8	4.8
JV/Assc gain/(loss)	(2.0)	(1.2)	(1.1)	(2.9)	(2.2)	9.5	(24.6)
Other (inc)/exp	1.1	7.0	3.0	(1.9)	(1.7)	(262.9)	(9.5)
<b>Profit before Tax</b>	<b>(12.9)</b>	<b>(7.0)</b>	<b>(3.6)</b>	<b>(2.0)</b>	<b>4.1</b>	<b>(131.6)</b>	<b>(305.9)</b>
Tax expense	(11.6)	(21.5)	37.0	4.1	43.1	(470.1)	941.5
Xo (gain)/loss	10.5	68.6	117.5	0.5	45.6	334.3	9,149.3
<b>PAT (after Xo)</b>	<b>(11.7)</b>	<b>(54.0)</b>	<b>(158.1)</b>	<b>(6.6)</b>	<b>(84.6)</b>	<b>622.0</b>	<b>1,181.3</b>

Source: DART, Company

**Exhibit 4: Margin Analysis (%)**

Margin Analysis	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (bps)	QoQ (bps)
Access charges	12.7	12.3	12.0	11.7	11.6	(115)	(11)
License fees	8.4	8.9	8.9	8.9	8.7	28	(26)
Network costs	23.4	22.4	21.9	21.6	20.9	(243)	(71)
Employee costs	4.2	4.1	4.6	4.1	3.9	(31)	(19)
SG&A	10.6	10.5	10.0	9.6	9.6	(100)	(1)
Total Opex	46.5	45.9	45.4	44.2	43.0	(346)	(117)
<b>EBITDA</b>	<b>40.8</b>	<b>41.8</b>	<b>42.6</b>	<b>44.2</b>	<b>45.5</b>	<b>461</b>	<b>128</b>
D&A	31.9	29.8	30.5	29.1	28.3	(365)	(78)
<b>EBIT</b>	<b>8.9</b>	<b>12.0</b>	<b>12.0</b>	<b>15.1</b>	<b>17.2</b>	<b>826</b>	<b>206</b>
Finance costs	15.4	18.0	14.9	15.1	15.0	(43)	(15)
Profit before Tax	(6.0)	(3.0)	(1.6)	(0.8)	1.5	756	232
Net Income	(4.9)	(22.8)	(68.4)	(3.0)	3.2	807	626

Source: DART, Company

**Exhibit 5: Segment-wise Revenues**

Rs Bn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
Mobile	111.7	129.5	128.8	138.3	147.8	32.4	6.8
Home	5.5	5.7	5.8	5.9	5.7	2.3	(3.4)
Digital	7.9	6.0	7.4	7.5	7.9	(0.4)	4.6
Business	33.2	33.8	35.0	35.8	36.2	9.2	1.1
Others/Intersegment	(6.4)	(7.7)	(7.6)	(7.3)	(7.5)	17.9	2.2
<b>India</b>	<b>151.9</b>	<b>167.3</b>	<b>169.4</b>	<b>180.2</b>	<b>190.1</b>	<b>25.1</b>	<b>5.5</b>
South Asia	1.2	1.2	1.1	1.1	1.1	(8.2)	(5.0)
Africa	62.7	64.9	64.5	71.7	76.4	21.9	6.7
(-) Intersegment	(1.2)	(2.0)	(1.0)	(1.3)	(1.3)	11.6	4.2
<b>Consolidated Total</b>	<b>213.4</b>	<b>230.2</b>	<b>232.9</b>	<b>250.6</b>	<b>265.2</b>	<b>24.2</b>	<b>5.8</b>

Source: DART, Company

**Exhibit 6: Segment-wise EBITDA**

Rs Bn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
Mobile	40.1	50.8	52.2	58.9	64.6	61.1	9.6
Home	3.3	3.0	3.5	3.4	3.2	(4.6)	(8.0)
Digital	5.4	3.6	5.0	5.4	5.3	(2.7)	(1.1)
Business	12.1	13.5	12.7	13.4	14.0	15.6	4.8
Others	(1.3)	(2.1)	(0.8)	(1.0)	(1.2)	(12.9)	12.0
<b>India</b>	<b>59.6</b>	<b>68.8</b>	<b>72.7</b>	<b>80.0</b>	<b>85.9</b>	<b>44.0</b>	<b>7.3</b>
South Asia	0.1	0.1	0.1	0.1	0.0	(63.4)	(66.5)
Africa	28.3	28.6	28.4	32.5	35.9	26.5	10.5
(-) Intersegment	(0.9)	(1.4)	(2.0)	(1.9)	(1.2)	37.9	(34.2)
<b>Consolidated Total</b>	<b>87.2</b>	<b>96.2</b>	<b>99.2</b>	<b>110.7</b>	<b>120.5</b>	<b>38.3</b>	<b>8.9</b>

Source: DART, Company

**Exhibit 7: Margin Analysis**

(%)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (bps)	QoQ (bps)
Mobile	35.9	39.2	40.6	42.6	43.7	779	111
Home	59.5	52.6	60.7	58.3	57.2	(233)	(109)
Digital	68.7	60.5	67.7	70.9	66.3	(234)	(455)
Business	36.5	39.9	36.3	37.3	37.8	129	50
<b>India</b>	<b>39.2</b>	<b>41.1</b>	<b>42.9</b>	<b>44.4</b>	<b>45.2</b>	<b>594</b>	<b>78</b>
South Asia	9.2	12.2	9.0	10.4	3.7	(552)	(673)
<b>Africa</b>	<b>45.2</b>	<b>44.1</b>	<b>44.1</b>	<b>45.3</b>	<b>46.9</b>	<b>171</b>	<b>161</b>
<b>Blended</b>	<b>40.8</b>	<b>41.8</b>	<b>42.6</b>	<b>44.2</b>	<b>45.5</b>	<b>461</b>	<b>128</b>

Source: DART, Company

**Exhibit 8: India Opex trend**

(Rs Bn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
Access charges	22.1	23.1	23.2	24.0	24.8	12.6	3.5
License fees	14.4	16.4	16.3	17.9	19.0	32.1	6.1
Network costs	38.2	40.4	39.2	41.5	42.2	10.5	1.7
Cost of goods sold	0.8	0.9	1.0	1.0	1.2	61.2	25.5
Employee costs	4.7	5.2	5.9	5.0	5.4	16.3	8.4
SG&A expenses	12.8	13.5	12.3	11.8	12.6	(1.7)	6.6
<b>Total</b>	<b>92.9</b>	<b>99.5</b>	<b>97.8</b>	<b>101.2</b>	<b>105.3</b>	<b>13.4</b>	<b>4.0</b>

Source: DART, Company

Strong revenue growth across business segment especially India Wireless and Africa

Healthy EBITDA margin expansion with 2/3<sup>rd</sup> of the incremental revenues flowing to EBITDA

**Exhibit 9: Operating Performance**

	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	% YoY	% QoQ
<b>India Wireless KPIs</b>							
Customers (Mn)	283.0	283.7	279.9	293.7	307.9	8.8	4.8
Net Adds (Mn)	3.6	0.6	(3.8)	13.9	14.2	293.9	2.4
Churn (%)	2.6	2.6	2.2	1.7	1.9	(91 bps)	20 bps
Reported ARPU (Rs)	134.9	154.1	156.8	162.2	166.1	23.2	2.4
Computed ARPU (Rs)	132.3	152.4	152.3	160.8	163.7	23.7	1.9
MOU/Subs	898	965	994	1,005	1,027	14.3	2.2
MOUs (Bn mins)	759	822	820	861	925	21.9	7.4
<b>Data KPIs</b>							
Data subs (Mn)	138.4	148.6	149.1	162.2	174.7	26.2	7.7
- MBB	123.8	136.3	138.3	152.7	165.6	33.8	8.5
As % of Total	48.9	52.4	53.3	55.2	56.7	630 bps	153 bps
Total MBs (Mn GBs)	5,547	6,453	7,240	7,640	8,454	52.4	10.7
GBs/month	13.9	15.0	16.7	16.4	16.8	20.4	2.2
<b>DTH</b>							
Customers (Mn)	16.3	16.6	16.8	17.4	17.9	9.6	2.8
Net Adds (000s)	101	304	226	549	485	379.6	(11.5)
Churn (%)	1.8	1.0	1.3	1.5	1.4	(27 bps)	(10 bps)
ARPU (Rs)*	162	123	149	148	149	(8.4)	0.8
<b>Africa</b>							
Customers (Mn)	107.1	110.6	111.5	116.4	118.9	11.0	2.2
Net Adds (Mn)	3.3	3.5	0.9	4.9	2.5	(22.3)	(48.4)
Churn (%)	5.2	5.3	5.7	5.3	5.0	5 bps	(26 bps)
ARPU (USD)	2.8	2.8	2.6	2.8	2.9	3.0	3.7
MOU/Subs	206	211	218	235	241	17.1	2.5
MOUs (Bn mins)	65.1	68.9	71.9	80.4	85.7	31.6	6.6

Source: Company, DART

*Increase in ARPU QoQ led by one extra day during the quarter, high ARPU 4G subscriber additions and availability of physical recharges*



**Exhibit 10: Key Model Assumptions**

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>India Wireless</b>										
Subs (Mn)	206	226	251	274	304	278	284	315	335	355
Net Adds (Mn)	17.3	20.5	25.2	22.4	30.5	(25.8)	5.3	31.8	20.0	20.0
Implied ARPU (Rs)*	198	201	196	180	133	119	136	154	161	177
Like-to-Like Con. ARPU(Rs)	167	170	164	148	111	97	122	146	160	177
Revenue (Rs Bn)	467	520	561	566	463	416	460	555	627	736
Inc. Rev (Rs Bn)	36	53	41	5	(103)	(47)	44	96	71	109
<b>EBITDA (Rs Bn)</b>	<b>158</b>	<b>195</b>	<b>219</b>	<b>228</b>	<b>151</b>	<b>94</b>	<b>170</b>	<b>247</b>	<b>327</b>	<b>399</b>
Inc. EBITDA (Rs Bn)	28	37	25	8	(77)	(57)	75	77	80	72
EBITDA Margin (%)	33.8	37.5	39.1	40.3	32.6	22.7	36.9	44.5	52.2	54.3
<b>Africa</b>										
Subs (Mn)	69	76	75	80	89	99	111	123	136	149
Net Adds (Mn)	6	7	(2)	5	9	10	12	12	13	13
Implied ARPU (Rs)	341	308	278	236	196	198	193	208	216	214
Revenue (Rs Bn)	273	269	251	220	199	223	242	291	334	366
Incremental Rev (Rs Bn)	32	(3)	(18)	(32)	(20)	24	19	49	43	31
EBITDA (Rs Bn)	71	61	47	50	66	84	107	133	156	170
Inc. EBITDA (Rs Bn)	8	(10)	(14)	4	16	18	24	26	23	14
EBITDA Margin (%)	26.2	22.7	18.7	23.0	33.2	37.4	44.3	45.7	46.6	46.6
<b>Revenue (Rs bn)</b>										
India Wireless	467	520	561	566	463	416	460	555	627	736
Home Broadband	39	44	25	28	25	22	22	23	27	34
Digital	21	25	29	34	38	41	29	31	35	38
Enterprise	63	67	97	109	114	125	132	143	151	160
Passive Infra	51	54	56	61	66	68	34	0	0	0
Others	3	3	3	4	3	1	0	0	0	0
<b>India Business</b>	<b>645</b>	<b>713</b>	<b>771</b>	<b>801</b>	<b>708</b>	<b>673</b>	<b>678</b>	<b>753</b>	<b>840</b>	<b>968</b>
South Asia	17	16	16	12	4	4	5	4	4	5
Wireless - Africa	273	269	251	220	199	223	242	291	334	366
<b>Gross revenues</b>	<b>934</b>	<b>998</b>	<b>1,039</b>	<b>1,033</b>	<b>912</b>	<b>900</b>	<b>924</b>	<b>1,049</b>	<b>1,179</b>	<b>1,339</b>
(-) Intersegment	(58)	(62)	(57)	(66)	(73)	(80)	-57	-35	-39	-45
<b>Net revenues</b>	<b>876</b>	<b>936</b>	<b>982</b>	<b>966</b>	<b>839</b>	<b>821</b>	<b>867</b>	<b>1,013</b>	<b>1,139</b>	<b>1,293</b>
Intersegment %	6.2	6.2	5.5	6.4	8.0	8.9	6.2	3.4	3.3	3.4
<b>EBITDA (Rs bn)</b>										
India Wireless	158	195	219	228	151	94	170	247	327	399
Home Broadband	15	18	11	13	12	11	11	14	16	20
Digital	3	7	10	12	14	16	20	22	25	28
Enterprise	14	14	30	34	42	41	43	54	57	60
Passive Infra	23	26	26	29	33	32	19	0	0	0
Others	(2)	(6)	(7)	(12)	(14)	(15)	(10)	(4)	(4)	(4)
<b>India Business</b>	<b>210</b>	<b>253</b>	<b>289</b>	<b>304</b>	<b>238</b>	<b>179</b>	<b>252</b>	<b>332</b>	<b>420</b>	<b>502</b>
South Asia	0	(0)	(1)	0	0	0	0	0	0	0
Wireless - Africa	71	61	47	50	66	84	107	133	156	170
<b>Gross EBITDA</b>	<b>281</b>	<b>314</b>	<b>336</b>	<b>354</b>	<b>304</b>	<b>263</b>	<b>360</b>	<b>465</b>	<b>577</b>	<b>673</b>
(-) Intersegment	(4)	(2)	4	(1)	(3)	(5)	(5)	(7)	(7)	(9)
<b>Net EBITDA</b>	<b>278</b>	<b>312</b>	<b>340</b>	<b>353</b>	<b>301</b>	<b>258</b>	<b>355</b>	<b>458</b>	<b>569</b>	<b>664</b>
Intersegment %	1.3	0.8	(1.3)	0.3	1.1	1.8	1.4	1.5	1.3	1.3

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>EBITDA Margin %</b>										
India Wireless	33.8	37.5	39.1	40.3	32.6	22.7	36.9	44.5	52.2	54.3
Home Broadband	37.5	40.7	42.5	47.2	46.7	48.3	50.4	58.3	58.1	58.2
Enterprise	16.1	27.3	34.2	35.6	37.9	38.3	68.3	69.4	71.9	71.9
Passive Infra	21.8	20.9	31.3	31.0	37.4	32.6	32.2	37.4	37.4	37.4
DTH	44.7	47.4	47.1	48.0	49.1	47.6	56.9	0.0	0.0	0.0
<b>India Business</b>	<b>32.6</b>	<b>35.5</b>	<b>37.5</b>	<b>37.9</b>	<b>33.6</b>	<b>26.7</b>	<b>37.2</b>	<b>44.0</b>	<b>50.0</b>	<b>51.9</b>
Wireless - Africa	26.2	22.7	18.7	23.0	33.2	37.4	44.3	45.7	46.6	46.6
<b>Net EBITDA</b>	<b>31.7</b>	<b>33.3</b>	<b>34.6</b>	<b>36.6</b>	<b>35.9</b>	<b>31.5</b>	<b>40.9</b>	<b>45.2</b>	<b>50.0</b>	<b>51.3</b>

Source: Company, DART \* Implied ARPU is inclusive of IUC revenue collected by Bharti from other operators. Due to change in IUC termination rate (20paise/minute before Mar-15, 14paise from Mar15-Oct17, 6paise Oct17-Dec20 and nil thereafter), the implied ARPU is not comparable to that extent.

### Exhibit 11: Valuation Summary - SOTP

Segments	Dec-22E EBITDA (Rs Bn)	Dec-22E EBITDA/ Share (Rs)	Multiple (X)	Enterprise Value (Rs Bn)	Value Per Share (Rs)
India Wireless	381.2	69.9	10.0	3,812	699
Telemedia services	18.7	3.4	7.0	131	24
Enterprise	59.2	10.8	7.0	414	76
DTH	27.0	4.9	7.0	189	35
Others*	(12.4)	(2.3)	7.0	(87)	(16)
IndAS 116 impact	(57.5)	(10.5)	10.0	(575)	(105)
<b>Sub-total</b>	<b>416.2</b>	<b>76.3</b>	<b>9.3</b>	<b>3,885</b>	<b>712</b>
(-) Net Debt excl IndAS 116 and Africa				(935)	(171)
Passive Infra**				239	44
<b>India business value</b>				<b>2,715</b>	<b>584</b>
Africa Plc**				225	41
Base case Value Per Share (Rs)				<b>2,940</b>	<b>626</b>
Incremental upside from positive industry developments*					75
<b>Target Price Share (Rs)</b>					<b>701</b>
CMP (Rs)					601
<b>Upside/(Downside) %</b>					<b>16.6%</b>

Source: DART, Company \* Others include South Asia, Corporate costs etc; \*\* Passive Infra is basis Indus Tower TP of Rs 268 for Bharti's 41.7% 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 12: Valuation Summary - Africa**

	Remarks
Africa EBITDA (Rs Bn)	163.0
IndAS 116 impact (Rs Bn)	14.7
Africa EBITDA net of IndAS impact (Rs Bn)	148.3
Target multiple (x)	6.0
Africa EV (Rs Bn)	890.1
(-) Net debt (Rs Bn)	306.2
<b>Equity Value (Rs Bn)</b>	<b>583.9</b>
Bharti holding (%)	55.0
<b>Equity Value for Bharti (Rs Bn)</b>	<b>321.2</b>
Hold Co discount (%)	30%
Africa Equity Value for Bharti (Rs Bn)	224.8
<b>Value per share (Rs)</b>	<b>41</b>

Source: DART, Company

**Exhibit 13: Potential upside/downside from scenarios that may pan out**

Scenarios	Impact/sh (Rs)	Probability (%)	Impact/sh (Rs)
<b>Assuming Voda-Idea shut-down</b>			
Upside from Idea subs (viz. 40% or 100mn)	191	20%	38
Value loss in Indus Tower	(50)	20%	(10)
Higher than expected ARPU by Rs 20 in FY23 viz. ~Rs 200	118	40%	47
<b>Incremental impact</b>	<b>259</b>		<b>75</b>

Source: DART

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>862,315</b>	<b>1,009,953</b>	<b>1,139,388</b>	<b>1,293,235</b>
<b>Total Expense</b>	<b>507,485</b>	<b>551,724</b>	<b>570,199</b>	<b>629,241</b>
COGS	107,395	105,789	75,549	82,166
Employees Cost	36,539	41,694	44,357	47,653
Other expenses	363,551	404,241	450,294	499,422
<b>EBIDTA</b>	<b>354,830</b>	<b>458,229</b>	<b>569,189</b>	<b>663,994</b>
Depreciation	273,731	291,837	276,716	259,261
<b>EBIT</b>	<b>81,099</b>	<b>166,393</b>	<b>292,473</b>	<b>404,733</b>
Interest	135,262	149,164	134,223	114,066
Other Income	11,996	6,350	2,658	2,685
Exc. / E.O. items	(400,892)	(163,549)	0	0
<b>EBT</b>	<b>(443,059)</b>	<b>(139,970)</b>	<b>160,908</b>	<b>293,352</b>
Tax	(124,266)	90,038	53,705	100,691
RPAT	(327,806)	(254,288)	84,437	170,379
Minority Interest	9,840	15,769	15,302	16,618
<b>Profit/Loss share of associates</b>	<b>828</b>	<b>(8,511)</b>	<b>(7,465)</b>	<b>(5,664)</b>
<b>APAT</b>	<b>(31,145)</b>	<b>(54,251)</b>	<b>84,437</b>	<b>170,379</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	27,278	27,278	27,278	27,278
Minority Interest	249,847	185,182	200,484	217,102
Reserves & Surplus	744,170	576,749	661,185	831,564
<b>Net Worth</b>	<b>771,448</b>	<b>604,026</b>	<b>688,463</b>	<b>858,842</b>
Total Debt	1,482,281	1,558,053	1,466,653	1,380,614
Net Deferred Tax Liability	117,149	189,480	212,541	239,107
<b>Total Capital Employed</b>	<b>2,620,725</b>	<b>2,536,742</b>	<b>2,568,141</b>	<b>2,695,665</b>

**Applications of Funds**

Net Block	<b>2,335,378</b>	<b>2,244,397</b>	<b>2,178,796</b>	<b>2,130,760</b>
CWIP	0	0	0	0
Investments	505,980	573,325	603,211	634,736
<b>Current Assets, Loans &amp; Advances</b>	<b>766,432</b>	<b>518,303</b>	<b>631,415</b>	<b>773,714</b>
Inventories	0	0	0	0
Receivables	46,058	45,150	51,602	58,514
Cash and Bank Balances	296,606	147,911	250,944	380,174
Loans and Advances	0	0	0	0
Other Current Assets	423,768	325,241	328,868	335,026
<b>Less: Current Liabilities &amp; Provisions</b>	<b>987,065</b>	<b>799,283</b>	<b>845,281</b>	<b>843,545</b>
Payables	250,232	295,079	319,403	294,607
Other Current Liabilities	736,833	504,204	525,878	548,938
	<i>sub total</i>			
Net Current Assets	(220,633)	(280,980)	(213,866)	(69,831)
<b>Total Assets</b>	<b>2,620,725</b>	<b>2,536,742</b>	<b>2,568,141</b>	<b>2,695,665</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	87.5	89.5	93.4	93.6
EBIDTA Margin	41.1	45.4	50.0	51.3
EBIT Margin	9.4	16.5	25.7	31.3
Tax rate	28.0	(64.3)	33.4	34.3
Net Profit Margin	(38.0)	(25.2)	7.4	13.2
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	12.5	10.5	6.6	6.4
Employee	4.2	4.1	3.9	3.7
Other	42.2	40.0	39.5	38.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	1.9	2.6	2.1	1.6
Interest Coverage	0.6	1.1	2.2	3.5
Inventory days	0	0	0	0
Debtors days	19	16	17	17
Average Cost of Debt	9.9	9.8	8.9	8.0
Payable days	106	107	102	83
Working Capital days	(93)	(102)	(69)	(20)
FA T/O	0.4	0.4	0.5	0.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	(5.7)	(9.9)	15.5	31.2
CEPS (Rs)	44.5	43.5	66.2	78.8
DPS (Rs)	2.0	0.0	0.0	0.0
Dividend Payout (%)	(35.0)	0.0	0.0	0.0
BVPS (Rs)	141.4	110.7	126.2	157.4
RoANW (%)	(44.1)	(37.0)	13.1	22.0
RoACE (%)	9.0	3.2	9.5	11.7
RoAIC (%)	3.7	7.1	12.4	17.5
<b>(E) Valuation Ratios</b>				
CMP (Rs)	601	601	601	601
P/E	(105.2)	(60.4)	38.8	19.2
Mcap (Rs Mn)	3,276,615	3,276,615	3,276,615	3,276,615
Mcap/ Sales	3.8	3.2	2.9	2.5
EV	4,462,290	4,686,758	4,492,323	4,277,055
EV/Sales	5.2	4.6	3.9	3.3
EV/EBITDA	12.6	10.2	7.9	6.4
P/BV	4.2	5.4	4.8	3.8
Dividend Yield (%)	0.3	0.0	0.0	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	6.4	17.1	12.8	13.5
EBITDA	37.4	29.1	24.2	16.7
EBIT	81.4	105.2	75.8	38.4
PBT	2022.5	(68.4)	(215.0)	82.3
APAT	(860.6)	74.2	(255.6)	101.8
EPS	(860.6)	74.2	(255.6)	101.8

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	261,317	114,133	546,596	545,518
CFI	(674,514)	(195,870)	(217,939)	(216,184)
CFF	582,515	(66,958)	(225,624)	(200,104)
FCFF	(243,135)	(86,723)	335,483	334,293
Opening Cash	127,287	296,606	147,911	250,944
Closing Cash	296,605	147,911	250,944	380,174

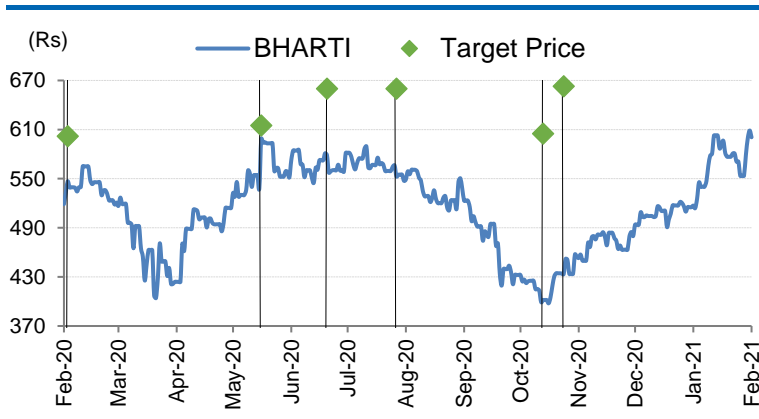
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-20	Accumulate	602	547
May-20	Reduce	615	599
Jun-20	Buy	660	579
Jul-20	Buy	660	553
Oct-20	Buy	605	402
Oct-20	Buy	663	433

\*Price as on recommendation date

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