

- ❑ Bharti Airtel Limited (BHARTIARTL) has reported consolidated revenue of ₹2,83,264 million in Q2-FY22 as against ₹2,50,604 million in Q2-FY21, a growth of 13%. On comparable basis the company's revenues grew 18.8% YoY during the quarter backed by strong performance across the businesses.
- ❑ On profitability front, the company's consolidated EBITDA margin stood at 48.8% at ₹138 billion in Q2-FY22 as against 44.2% at ₹110 billion in same quarter previous year, an improvement of 458 basis points. The consolidated profit after tax (PAT) margin for the company stood 4.3% at ₹12.3 billion as against a loss of ₹5.8 billion in same quarter previous year.
- ❑ The company's India business posted quarterly revenues of ₹198.9 billion, up 18.3% YoY on comparable basis. Its mobile services India revenues were up 20.3% YoY on comparable basis on account of continual growth in 4G customer base and increase in ARPUs. The Airtel Business revenues grew by 11.5% YoY backed by strong demand for integrated suites of services across connectivity, collaboration, CPaaS, Data center, cloud and security solutions. The company has also announced an investment of ₹50 billion to further cement 'Nxtra by Airtel' as India's largest network of hyper scale and edge data centres by tripling the data centre capacity to over 400MW by 2025 to meet the surging demand.
- ❑ Homes business continues to demonstrate strong double digit revenue growth of 21.3% YoY while Digital TV revenue stood up by 5.7% YoY and continues to strengthen market standing. The company has expanded its offering to non-wired cities through LCO model and is currently live in 436 cities through this model, with overall operations in 523 cities. The ARPUs for company's Homes and Digital TV business stands at 661 and 148 respectively.
- ❑ In its mobile business the company continues to gain a strong share of the 4G customers in the market. 4G data customers for the company increased by 26.1% YoY to 192.5 Mn. Over the last four quarters, the company has added 39.9 Mn 4G customers to its network. The company's ARPU stands at 153 for the quarter, average data usage per data customer at 18.6 GBs/month and voice usage per customer at 1,053 mins /month.
- ❑ Recently the company has also rebalanced tariffs of its mobile business and has undergone across the board increase in plan prices by an average of about 20%. Along with this the company has also communicated its medium to long term stance of growing mobile business ARPUs to ₹200 initially and further to ₹300 in due course which should be positive for the company.
- ❑ We continue to believe that strong momentum in revenue backed by continued growth in customer additions and improved margins support the growth prospects for the company in long term. Airtel's strong brand presence coupled with its executional capabilities will help drive the top line growth and healthy margins. Maintaining a positive long-term outlook, we maintain our **Buy** rating on the stock with a revised target price of **₹886 per share**.

## Q2-FY22 results (Consolidated)

(In ₹ mn)	Q2-FY22	Q2-FY21	Chg	H1-FY22	H1-FY21	Chg
Net Sales	2,83,264	2,50,604	13.0%	5,51,800	4,83,507	14.1%
Operating Expense	1,45,159	1,39,907	3.8%	2,83,892	2,73,640	3.7%
EBITDA	1,38,105	1,10,697	24.8%	2,67,908	2,09,867	27.7%
Other Income	1,088	1,031		3,186	5,097	
Depreciation	82,472	72,862		1,59,609	1,43,993	
EBIT	56,721	38,866	45.9%	1,11,485	70,971	57.1%
Interest	39,641	37,914		81,898	72,585	
PBT	17,080	952	1694.1%	29,587	(1,614)	-1933.1%
Tax	10,308	4,135		18,653	41,157	
Exceptional Items	7,221	(493)		7,526	(1,17,950)	
<b>PAT</b>	<b>13,993</b>	<b>(3,676)</b>	<b>-480.7%</b>	<b>18,460</b>	<b>(1,60,721)</b>	<b>-111.5%</b>
Minority /Other Adj.	(1,689)	(2,158)		(3,623)	(5,148)	
<b>Consolidated PAT</b>	<b>12,304</b>	<b>(5,834)</b>	<b>-310.9%</b>	<b>14,837</b>	<b>(1,65,869)</b>	<b>-108.9%</b>

Margins	Q2-FY22	Q2-FY21	ChgBPS	H1-FY22	H1-FY21	ChgBPS
Operating Margin %	48.8%	44.2%	458	48.6%	43.4%	515
Net Margin %	4.3%	-2.3%	667	3.3%	-33.2%	3659

## Financials (Consolidated):

(In ₹ Mn.)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	8,79,380	10,25,174	11,56,396	13,14,823
Operating Expense	5,17,158	5,60,090	6,07,108	6,70,560
EBITDA	3,62,222	4,65,084	5,49,288	6,44,263
Other Income	15,357	6,428	5,782	6,574
Depreciation	2,70,944	2,94,044	3,21,221	3,86,558
EBIT	1,06,635	1,77,468	2,33,849	2,64,279
Interest	1,40,732	1,50,910	1,28,136	1,19,564
Misc. items	(4,00,892)	(1,59,145)	-	-
PBT	(4,34,989)	(1,32,587)	1,05,713	1,44,716
Tax	(1,21,823)	92,456	34,885	47,756
Minority Interest	(8,666)	74,208	(7,840)	(4,704)
PAT	(3,21,832)	(1,50,835)	62,988	92,255

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	8.9%	16.6%	12.8%	13.7%
Operating Margin %	41.2%	45.4%	47.5%	49.0%
Net Margin %	-36.6%	-14.7%	5.4%	7.0%

Source: Company, Anand Rathi Research

(In ₹ Mn.)	FY-20	FY-21	FY-22E	FY-23E
<b><u>Liabilities</u></b>				
Equity Share Capital	27,951	28,337	28,337	28,337
Reserves & Surplus	7,43,497	5,61,190	6,24,178	7,16,433
Total Shareholder's Funds	7,71,448	5,89,527	6,52,515	7,44,770
Minority Interest	2,49,847	2,22,739	2,22,739	2,22,739
Long-Term Liabilities	9,10,792	11,05,603	11,05,603	10,85,603
Other Long-term Liabilities	3,43,950	4,09,943	4,09,943	4,09,943
Deferred Tax Liability	(2,53,283)	(1,84,757)	(1,84,757)	(1,84,757)
Short-term Liabilities	13,14,876	11,16,359	12,59,652	14,32,225
<b>Total</b>	<b>33,37,630</b>	<b>32,59,414</b>	<b>34,65,695</b>	<b>37,10,524</b>
<b><u>Assets</u></b>				
Net Fixed Assets	23,35,378	22,92,061	23,79,575	29,69,359
Long-Term L&A	53,760	1,11,341	1,11,341	1,11,341
Non Current Investments	1,17,086	2,34,723	2,34,723	2,34,723
Other Non-Current Assets	64,974	73,760	73,760	73,760
Current Asset	7,66,432	5,47,529	6,66,296	3,21,341
<b>Total</b>	<b>33,37,630</b>	<b>32,59,414</b>	<b>34,65,695</b>	<b>37,10,524</b>

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	-58.6	-27.5	11.5	16.8
P/E (x)	-12.9	-27.6	66.1	45.1
P/B (x)	5.4	7.1	6.4	5.6
ROE	-41.7%	-25.6%	9.7%	12.4%

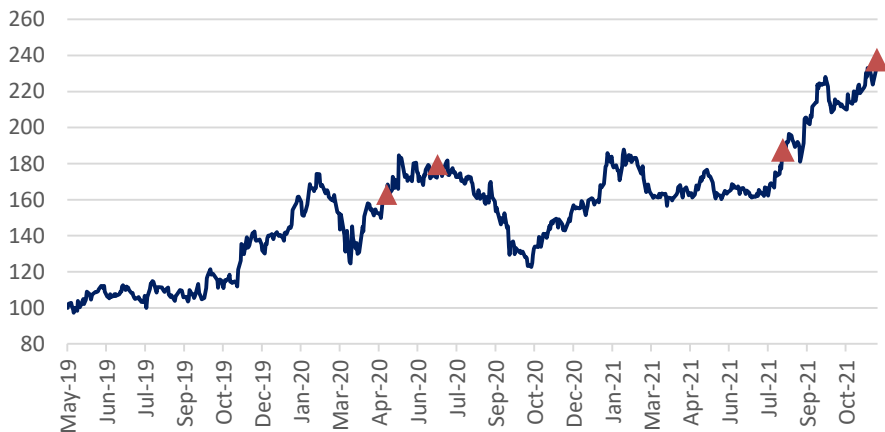
## Key Risks:

- The company's business is exposed to regulatory risks.



## Rating and Target Price history:

**BHARTIARTL rating history & price chart**



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 23 November 2021 close.

**BHARTIARTL rating details**

Date	Rating	Target Price (₹)	Share Price (₹)
05-May-20	BUY	625	520
06-Jul-20	BUY	625	572
06-Aug-21	BUY	705	598
23-Nov-21	BUY	886	758

Source: Bloomberg, Anand Rathi Research

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