

November 1, 2022

## Q2FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	1,058		1,032	
Sales (Rs. m)	17,09,985	20,03,770	17,08,775	19,53,567
% Chng.	0.1	2.6		
EBITDA (Rs. m)	9,06,177	10,55,087	9,05,785	10,40,580
% Chng.	-	1.4		
EPS (Rs.)	31.1	46.3	31.6	45.7
% Chng.	(1.8)	1.4		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	1,165	1,406	1,710	2,004
EBITDA (Rs. bn)	575	722	906	1,055
Margin (%)	49.4	51.3	53.0	52.7
PAT (Rs. bn)	43	107	185	276
EPS (Rs.)	7.8	18.7	31.1	46.3
Gr. (%)	(107.2)	138.8	65.8	49.1
DPS (Rs.)	3.0	5.0	7.0	9.0
Yield (%)	0.4	0.6	0.8	1.1
RoE (%)	6.9	13.2	18.1	22.8
RoCE (%)	10.7	14.1	16.9	21.1
EV/Sales (x)	5.3	4.5	3.8	3.0
EV/EBITDA (x)	10.7	8.8	7.1	5.7
PE (x)	106.5	44.6	26.9	18.0
P/BV (x)	6.9	5.0	4.5	3.8

### Key Data

BRTI.BO | BHARTI IN

52-W High / Low	Rs.841 / Rs.629
Sensex / Nifty	61,121 / 18,145
Market Cap	Rs.4,821bn / \$ 58,296m
Shares Outstanding	5,563m
3M Avg. Daily Value	Rs.7087.98m

### Shareholding Pattern (%)

Promoter's	55.21
Foreign	21.88
Domestic Institution	18.92
Public & Others	3.99
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	4.5	13.1	17.3
Relative	(1.9)	5.6	15.4

### Avishek Datta

avishekdatta@plindia.com | 91-22-66322254

## Remains well placed for telecom upcycle

### Quick Pointers:

- Focused on continued ARPU growth by increasing upgrades from feature phone to smartphone along with increased stickiness.
- Gained revenue market share in B-B segment and expects strong growth in CPaaS, IOT, Cyber security etc.

**We maintain our operating numbers but lower FY23/24E earnings by 7%/2% to factor in higher finance cost and lower tax rate, while FY25E earnings increase by 1%. Bharti reported strong operational results with consolidated EBIDTA/PAT of Rs175.9bn (+6.4%QoQ; PLe Rs172.7bn) and Rs21.4bn (+33%QoQ; PLe Rs23.4bn) led by strong performance by India Mobile, Africa Mobile and enterprise businesses.**

**India mobile revenues were up 4%QoQ to Rs189.5bn (Jio revenues up 3%QoQ) and EBIDTA margins were up 80bps QoQ to 52.4% (Jio 51%) led by ARPU rise to Rs190 (+3.6%QoQ; PLe Rs188) and higher value 4G subscriber addition of 5mn even as overall addition was 0.49mn. Africa mobile and enterprise revenues were up 4%QoQ and 6.8%QoQ to \$1.3bn and Rs46.6bn, while EBIDTA margins were at 49.1% and 39.2% respectively. Home services (fixed line + broadband) along with DTH performance were muted. We remain structurally positive on Indian telecom sector due to consolidation and likely regular tariff hikes. Maintain 'BUY' at SOPT based PT of Rs1058 (Rs1032 earlier).**

**India mobile business leads from front:** India mobile Q2 performance was strong with revenue and EBIDTA of Rs189.6bn (+4%QoQ; PLe Rs185.2bn) and Rs99.3bn (+6.4%QoQ; PLe Rs95.3bn). EBIDTA margins improved to 52.4% (+80bps QoQ) as ARPU increased to Rs190 (+3.8%QoQ; PLe: Rs188) aided by 4G customer addition of 5mn vs 4.4mn in Q1 and net subscriber addition of 0.49mn (Q1: 1.26mn; PLe 2mn). For comparison, Jio's Q1 revenue and EBIDTA was up 3%QoQ and 4.7%QoQ and EBIDTA margins were at 51% (up 90bps QoQ). Sector consolidation will aid regular price hikes and increased dominance of Jio and Bharti.

**Africa delivers steady performance:** Q2 Africa revenues were at \$1.3bn (+4%QoQ) with ARPU of \$3.1 (+6.8%QoQ) and net customer addition of 3.1mn. EBIDTA margins was at 49.1% (+30bps QoQ). However, Q2 PAT at \$133mn (-18%QoQ) was hit by foreign exchange loss.

**Enterprise segment delivered another strong quarter:** In the enterprise segment Q2 revenue was at Rs46.6bn (+6.8%QoQ; PLe Rs45.6bn) and EBIDTA was at Rs18.3 (+7.5%QoQ; PLe Rs 18.0bn). EBIDTA margin was at 39.2% (+20bps QoQ).

**Home services margins disappoint:** Q2 segmental revenue was at Rs9.9bn (+6.8%QoQ; PLe Rs9.8bn) and EBIDTA was at Rs4.98bn (flat QoQ; PLe Rs 5.2bn). EBIDTA margins was at 50.3% (-290bps QoQ) due to lower ARPU of Rs646 (Q1: 652; PLe Rs660). Subscriber addition was at 417k with total at 5.2mn.

**DTH – muted performance:** DTH continued to disappoint with Q2 revenue at Rs 7.3bn (-2.6%QoQ; PLe 7.6bn) and EBIDTA of Rs4.4bn (-9%QoQ; PLe 4.8bn) as ARPU was at Rs155 (Q1: Rs 158). Subscriber addition was at 66k with total of 15.8mn.

### Conference Call Highlights

- 5G is an important tool to increase post-paid market share by providing value added services; Q2 add was at 283,000.
- Currently there is testing of 5G standalone network for enterprises. Use case is currently limited but is likely to be a big play in education, ambulance, agriculture etc. in upcoming years.
- Most phones of Samsung, Xiomi, Vivo, Realme are already fully compatible with Airtel's 5G infrastructure. Consequently, Apple phones will be compatible by December.
- Airtel is waiting for opportune time for next round of tariff hikes, given tariff already stands at its lowest globally.
- Expects capex to be preponed, as the company builds up 5G infrastructure.
- Airtel is focused on continued ARPU growth by increasing customer stickiness across services and upgrades from feature phone to smartphone.
- Airtel enterprise remains a leader in B-B space by gaining revenue market share. Company sees lots of opportunities in IOT, CPaaS, and cyber security.
- Digital service revenue for Q2 was at Rs9.6bn spread across monetizing advertising, lending based on data.
- SUC benefit of Rs2.5bn likely to flow through in Q3.
- Likely to increase leaner towers in rural areas to reduce diesel cost. No need for aggressive tower addition despite 5G rollout. Company expects 100 meters extra propagation in 3.5GHz.
- Company expects to finalize 5G pricing plans over next 6-9 months and currently pricing is likely to be similar at 4G.

**Exhibit 1: Q2FY23 Result Overview (Rs mn)**

Y/e March	Q2FY23	Q2FY22	YoY gr.	Q1FY23	H1FY23	H1FY22	YoY gr.
<b>Revenue</b>	<b>3,45,268</b>	<b>2,83,264</b>	<b>21.9%</b>	<b>3,28,046</b>	<b>6,73,314</b>	<b>5,51,800</b>	<b>22.0%</b>
<b>Operating Expenses</b>							
Cost of services (Excl D&A)	132210	1,16,300	13.7%	1,28,067	2,60,277	2,27,239	14.5%
Access charges	19310	16,708	15.6%	18698	38,008	32,874	15.6%
Licence fees, revenue share & spectrum charges	29511	26,794	10.1%	31,306	60,817	53,249	14.2%
Network operations costs	71303	61,788	15.4%	66,828	1,38,131	1,19,761	15.3%
Employee costs	12086	11,010	9.8%	11,235	23,321	21,355	9.2%
SG&A (excl amortization of intangibles-take it from schedule of operating expenses)	17823	12,670	40.7%	15,669	33,492	23,283	43.8%
Elimination	19297	16,189	19.2%	19,016	38,313	33,370	14.8%
<b>Total Operating Expense</b>	<b>169330</b>	<b>1,45,159</b>	<b>16.7%</b>	<b>1,62,752</b>	<b>3,32,082</b>	<b>2,83,892</b>	<b>17.0%</b>
<b>EBITDA</b>	<b>175938</b>	<b>1,38,105</b>	<b>27.4%</b>	<b>1,65,294</b>	<b>3,41,232</b>	<b>2,67,908</b>	<b>27.4%</b>
Depreciation and amortisation	89,468	82,246	8.8%	87,814	1,77,282	1,59,225	11.3%
Interest	49,403	39,641	24.6%	45,109	94,512	81,898	15.4%
Other income	2,019	1,088	85.6%	1,922	3,941	3,186	23.7%
<b>PBT</b>	<b>39,086</b>	<b>17,306</b>	<b>125.9%</b>	<b>34,293</b>	<b>73,379</b>	<b>29,971</b>	<b>144.8%</b>
Tax	12,864	10,308	24.8%	11,233	24,097	18,653	29.2%
Share of profits in associates / joint ventures	3,567	5,988	-40.4%	1,628	5,195	10935	-52.5%
<b>PAT</b>	<b>29,789</b>	<b>12,986</b>	<b>129.4%</b>	<b>24,688</b>	<b>54,477</b>	<b>22,253</b>	<b>144.8%</b>
<b>PAT post minority interest</b>	<b>21,452</b>	<b>-4,296</b>	<b>-599.3%</b>	<b>16,069</b>	<b>37,521</b>	<b>-8,187</b>	<b>-558.3%</b>

Source: Company, PL

**Exhibit 2: Bharti vs Jio India mobile business comparison**

	Q1FY22		Q2FY22		Q3FY22		Q4FY22		FY22		Q1FY23		Q2FY23	
	Bharti	Jio	Bharti	Jio	Bharti	Jio	Bharti	Jio	Bharti	Jio	Bharti	Jio	Bharti	Jio
India Mobile Revenue	143,056	179,940	151,913	187,350	160,917	193,470	176,168	209,010	632,054	769,770	182,200	218,730	189,576	225,210
<i>Growth</i>	1.6%	3.7%	6.2%	4.1%	5.9%	3.3%	9.5%	8.0%	13.7%	10.1%	3.4%	4.7%	4.0%	3.0%
EBITDA	39,273	86,170	41,743	89,890	45,190	95,140	45,865	105,100	313,664	376,300	47,381	109,640	51,252	114,890
<i>Growth</i>	5.1%	3.9%	6.3%	4.3%	8.3%	5.8%	1.5%	10.5%	29.3%	21.7%	4.6%	4.3%	8.2%	4.8%
ARPU	146	138	153	144	163	152	178	168	163	150	183	176	190	177
<i>Growth</i>	-6.6%	-3.6%	5.0%	3.8%	6.0%	5.6%	9.6%	10.6%	4.5%	4.4%	12.3%	16.9%	3.6%	0.9%
Subscribers- EOP	321	441	323	430	323	421	326	410	326	410	327	420	328	428
Net Addition	(0)	14	2.2	(11.1)	(0.6)	(8.5)	3.1	(10.8)	4.7	(16.0)	1.3	9.7	0.5	7.7
4G subscribers EOP	184.4	441	192.5	430	195.5	421	200.8	410	200.8	410	205.3	420	210.3	428

Source: Company, PL; Q1FY22 ARPU decline is due to IUC charges discontinuation

**Exhibit 3: SOTP**

Segment	Stake	FY25E EBITDA	EV/E (x)	(Rs m)	Remarks
India mobile business	100.0%	618	7.7	4,775	Discounted FY24E average valuation at 10%
Airtel Africa	55.5%	273	4.0	606	MTN/Vodacom trade at 2.8x/4.5x EV/EBITDA
Enterprise segment	100.0%	108	8.0	863	TCOM trades at EV/ EBITDA of 8.3x
Stake in Indus tower	47.7%	148	5.0	353	Consensus estimates
DTH	100.0%	18	2.7	49	DISH TV trades at 1.6x FY25E EBITDA
Home services	100.0%	39	5.5	213	
<b>EV</b>				<b>6,859</b>	
Net debt				560	
<b>Equity value (Rs bn)</b>				<b>6,299</b>	
<b>Equity value/share</b>				<b>1,058</b>	

Source: PL

**Exhibit 4: Bharti quarterly details**

Y/e March (Rs m)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23
<b>Consolidated</b>							
Total revenues	2,68,536	2,83,264	2,98,666	3,15,003	11,65,469	3,28,046	3,45,268
<i>Growth</i>	4.3%	5.5%	5.4%	5.5%	15.8%	4.1%	5.2%
Adjusted EBITDA	1,29,803	1,38,105	1,47,028	1,60,403	5,75,339	1,65,294	1,75,938
<i>Growth</i>	5.3%	6.4%	6.5%	9.1%	26.8%	3.0%	6.4%
<i>Margin (%)</i>	48.3%	48.8%	49.2%	50.9%	49.4%	50.4%	51.0%
Reported net profit	(3,585)	2,925	254	3,006	43,103	16,069	21,452
<i>Growth</i>							33.5%
<b>India operations</b>							
Total revenues	1,89,168	1,98,904	2,09,127	2,25,004	8,22,203	2,33,189	2,43,333
<i>Growth</i>	3.2%	5.1%	5.1%	7.6%	16.7%	3.6%	4.3%
Adjusted EBITDA	92,623	98,576	1,04,067	1,14,361	4,09,627	1,18,817	1,26,056
<i>Growth</i>	3.3%	6.4%	5.6%	9.9%	22.8%	3.9%	6.1%
<i>Margin (%)</i>	49.0%	49.6%	49.8%	50.8%	49.8%	51.0%	51.8%
<b>Africa operations</b>							
Revenues (\$mn)	1,112	1,160	1,219	1,222	4,714	1,257	1,308
<i>Growth</i>	7.2%	4.3%	5.1%	0.2%	21.3%	2.9%	4.0%
EBITDA (\$mn)	534	564	605	610	2,313	614	641
<i>Growth</i>	8.0%	5.5%	7.4%	0.8%	29.1%	0.6%	4.5%
<i>Margin (%)</i>	48.0%	48.6%	49.6%	49.9%	49.1%	48.8%	49.1%
Subscribers (m)	120.8	122.7	125.8	128.4	128.4	131.6	134.7
Abs. minutes (bn)	89.0	93.8	97.4	98.4	378.7	103.2	109.0
<b>India wireless</b>							
Revenues	1,43,056	1,51,913	1,60,917	1,76,168	6,32,054	1,82,200	1,89,576
<i>Growth</i>	1.6%	6.2%	5.9%	9.5%	13.7%	3.4%	4.0%
EBITDA	70,335	74,679	76,143	88,469	3,03,047	93,281	99,258
<i>Growth</i>	5.1%	6.2%	2.0%	16.2%	24.9%	5.4%	6.4%
<i>Margin (%)</i>	49.2%	49.2%	47.3%	50.2%	47.9%	51.2%	52.4%
Subscribers EoP (m)	321.2	323.5	322.9	326.0	326.0	327.3	327.8
ARPU (Rs)	146	153	163	178	163	183	190
<i>Growth</i>	-4.8%	5.0%	6.0%	9.6%	4.3%	2.8%	3.6%
RPM (Rs)	0.141	0.145	0.153	0.165	0.151	0.166	0.175
<i>Growth</i>						0.8%	-1.5%
Voice minutes (bn)	10,02,263	10,20,415	10,29,802	10,51,116	41,03,596	10,78,961	10,63,011
Data traffic (m MBs)	1,07,71,051	1,12,70,769	1,13,11,780	1,18,49,334	4,52,02,934	1,25,61,338	1,34,85,280
<b>Homes</b>							
Revenues	6,531	7,127	7,969	8,762	30,388	9,265	9,898
<i>Growth</i>	8.7%	9.1%	11.8%	10.0%	30.2%	5.7%	6.8%
EBITDA	3,230	3,779	4,358	4,774	16,139	4,927	4,983
<i>Growth</i>	-3.4%	17.0%	15.3%	9.5%	20.1%	3.2%	1.1%
<i>Margin (%)</i>	49.5%	53.0%	54.7%	54.5%	53.1%	53.2%	50.3%
<b>Enterprise Business</b>							
Revenues	37,893	39,953	41,059	41,798	1,60,703	43,656	46,646
<i>Growth</i>	2.4%	5.4%	2.8%	1.8%	11.5%	4.4%	6.8%
EBITDA	14,685	15,922	15,824	16,451	62,882	17,011	18,293
<i>Growth</i>	-1.2%	8.4%	-0.6%	4.0%	14.4%	3.4%	7.5%
<i>Margin (%)</i>	38.8%	39.9%	38.5%	39.4%	39.1%	39.0%	39.2%

(Rs m)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23
<b>DTH</b>							
Revenues	8,094	7,979	7,912	7,552	31,537	7,482	7,288
EBITDA	5,421	5,314	5,319	4,952	21,006	4,779	4,352
<i>Growth</i>	<i>67.0%</i>	<i>66.6%</i>	<i>67.2%</i>	<i>65.6%</i>	<i>66.6%</i>	<i>63.9%</i>	<i>59.7%</i>
DTH subs (m)	18.00	16.32	16.21	16.03	16.03	15.71	15.77
DTH ARPU (Rs)	151	163	161	157	154	158	155
<b>Capex</b>							
Consolidated	65,908	69,722	61,015	59,971	2,56,616	63,982	70,469
India mobile	43,744	46,293	29,734	26,178	1,45,949	36,945	39,107
Africa	7,795	10,315	13,965	16,816	48,891	10,880	13,500
Home services	3,892	3,500	4,062	4,968	16,421	6,604	5,886
Enterprise	6,567	5,622	8,368	8,478	29,035	6,861	8,792
DTH	2,932	2,579	4,374	3,143	13,027	2,470	3,054
SE Asia	978	1,414	512	388	3,292	221	130

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>11,65,469</b>	<b>14,06,191</b>	<b>17,09,985</b>	<b>20,03,770</b>
YoY gr. (%)	15.8	20.7	21.6	17.2
Cost of Goods Sold	-	-	-	-
Gross Profit	11,65,469	14,06,191	17,09,985	20,03,770
Margin (%)	1.0	1.0	1.0	1.0
Employee Cost	44,333	48,972	59,849	74,140
Other Expenses	64,310	76,907	77,188	77,188
<b>EBITDA</b>	<b>5,75,339</b>	<b>7,21,897</b>	<b>9,06,177</b>	<b>10,55,087</b>
YoY gr. (%)	543.8	25.5	25.5	16.4
Margin (%)	49.4	51.3	53.0	52.7
Depreciation and Amortization	3,30,433	3,56,975	4,32,625	4,46,375
<b>EBIT</b>	<b>2,44,906</b>	<b>3,64,922</b>	<b>4,73,552</b>	<b>6,08,712</b>
Margin (%)	21.0	26.0	27.7	30.4
Net Interest	1,66,083	1,82,883	1,75,970	1,75,124
Other Income	5,343	8,915	10,931	13,365
<b>Profit Before Tax</b>	<b>84,167</b>	<b>1,90,954</b>	<b>3,08,513</b>	<b>4,46,954</b>
Margin (%)	7.2	13.6	18.0	22.3
Total Tax	41,779	62,056	1,00,596	1,44,026
Effective tax rate (%)	49.6	32.5	32.6	32.2
<b>Profit after tax</b>	<b>42,388</b>	<b>1,28,898</b>	<b>2,07,917</b>	<b>3,02,927</b>
Minority interest	40,503	34,388	38,853	44,579
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>43,103</b>	<b>1,07,163</b>	<b>1,85,054</b>	<b>2,75,996</b>
YoY gr. (%)	(107.2)	148.6	72.7	49.1
Margin (%)	3.7	7.6	10.8	13.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>43,103</b>	<b>1,07,163</b>	<b>1,85,054</b>	<b>2,75,996</b>
YoY gr. (%)	(107.2)	148.6	72.7	49.1
Margin (%)	3.7	7.6	10.8	13.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	43,103	1,07,163	1,85,054	2,75,996
<b>Equity Shares O/s (m)</b>	<b>5,492</b>	<b>5,717</b>	<b>5,955</b>	<b>5,955</b>
<b>EPS (Rs)</b>	<b>7.8</b>	<b>18.7</b>	<b>31.1</b>	<b>46.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>22,53,815</b>	<b>25,03,815</b>	<b>27,53,815</b>	<b>30,03,815</b>
Tangibles	22,53,815	25,03,815	27,53,815	30,03,815
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>13,48,090</b>	<b>16,09,760</b>	<b>19,12,679</b>	<b>22,29,349</b>
Tangibles	13,48,090	16,09,760	19,12,679	22,29,349
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>9,05,725</b>	<b>8,94,055</b>	<b>8,41,136</b>	<b>7,74,466</b>
Tangibles	9,05,725	8,94,055	8,41,136	7,74,466
Intangibles	-	-	-	-
Capital Work In Progress	3,64,672	3,82,906	3,91,899	4,01,139
Goodwill	12,12,822	14,73,293	16,50,692	15,28,234
Non-Current Investments	3,24,771	3,42,177	3,51,074	3,60,355
Net Deferred tax assets	1,74,762	1,83,500	1,92,675	2,02,309
Other Non-Current Assets	1,09,041	1,15,367	1,22,097	1,29,259
<b>Current Assets</b>				
Investments	8,614	9,045	9,497	9,972
Inventories	3,750	4,416	5,312	6,290
Trade receivables	40,562	50,084	60,904	71,367
Cash & Bank Balance	1,34,943	2,93,154	2,34,834	6,36,693
Other Current Assets	1,17,152	1,28,867	1,41,754	1,55,929
<b>Total Assets</b>	<b>36,36,560</b>	<b>41,39,331</b>	<b>42,89,273</b>	<b>45,90,772</b>
<b>Equity</b>				
Equity Share Capital	27,950	29,457	29,457	29,457
Other Equity	6,37,593	9,23,994	10,67,360	12,89,757
<b>Total Network</b>	<b>6,65,543</b>	<b>9,53,450</b>	<b>10,96,817</b>	<b>13,19,214</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	14,25,912	16,26,440	15,26,307	14,64,369
Provisions	4,639	5,103	5,358	5,626
Other non current liabilities	1,537	1,546	1,623	1,704
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	2,70,867	2,18,900	1,87,280	1,68,177
Trade payables	2,92,741	2,57,734	2,83,508	3,11,859
Other current liabilities	5,76,652	6,35,859	7,01,622	7,80,501
<b>Total Equity &amp; Liabilities</b>	<b>36,36,560</b>	<b>41,39,331</b>	<b>42,89,273</b>	<b>45,90,772</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	1,08,399	2,03,607	3,24,503	4,64,601
Add. Depreciation	3,30,433	3,56,975	4,32,625	4,46,375
Add. Interest	1,66,083	1,82,883	1,75,970	1,75,124
Less Financial Other Income	5,343	8,915	10,931	13,365
Add. Other	-	-	-	-
Op. profit before WC changes	6,04,914	7,43,465	9,33,098	10,86,100
Net Changes-WC	10,420	94,128	1,67,477	1,87,931
Direct tax	(41,779)	(62,056)	(1,00,596)	(1,44,026)
<b>Net cash from Op. activities</b>	<b>5,73,555</b>	<b>7,75,538</b>	<b>9,99,979</b>	<b>11,30,005</b>
Capital expenditures	(5,88,674)	(6,39,082)	(5,72,428)	(2,72,943)
Interest / Dividend Income	-	-	-	-
Others	54,709	(18,623)	(19,758)	(20,970)
<b>Net Cash from Inv. activities</b>	<b>(5,33,965)</b>	<b>(6,57,704)</b>	<b>(5,92,186)</b>	<b>(2,93,914)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	31,246	1,30,179	(1,51,053)	(1,01,307)
Dividend paid	(16,476)	(28,585)	(41,688)	(53,599)
Interest paid	(1,66,083)	(1,82,883)	(1,75,970)	(1,75,124)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,51,313)</b>	<b>(81,289)</b>	<b>(3,68,711)</b>	<b>(3,30,029)</b>
<b>Net change in cash</b>	<b>(1,11,722)</b>	<b>36,544</b>	<b>39,082</b>	<b>5,06,062</b>
Free Cash Flow	1,53,304	3,95,083	6,04,175	7,33,813

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Net Revenue</b>	<b>2,98,666</b>	<b>3,15,003</b>	<b>3,28,046</b>	<b>3,45,268</b>
YoY gr. (%)	12.6	22.3	22.2	21.9
Raw Material Expenses	-	-	-	-
Gross Profit	2,98,666	3,15,003	3,28,046	3,45,268
Margin (%)	100.0	100.0	100.0	100.0
<b>EBITDA</b>	<b>1,47,028</b>	<b>1,60,403</b>	<b>1,65,294</b>	<b>1,75,938</b>
YoY gr. (%)	22.0	30.1	27.3	27.4
Margin (%)	49.2	50.9	50.4	51.0
Depreciation / Depletion	66,107	66,613	68,784	71,432
<b>EBIT</b>	<b>61,646</b>	<b>74,577</b>	<b>77,480</b>	<b>86,470</b>
Margin (%)	20.6	23.7	23.6	25.0
Net Interest	43,592	40,593	45,109	49,403
Other Income	1,971	186	1,922	2,019
<b>Profit before Tax</b>	<b>20,025</b>	<b>34,170</b>	<b>34,293</b>	<b>39,086</b>
Margin (%)	6.7	10.8	10.5	11.3
Total Tax	9,908	13,218	11,233	12,864
Effective tax rate (%)	49.5	38.7	32.8	32.9
<b>Profit after Tax</b>	<b>10,117</b>	<b>20,952</b>	<b>23,060</b>	<b>26,222</b>
Minority interest	8,211	17,072	8,619	8,337
Share Profit from Associates	6,161	7,136	1,628	3,567
<b>Adjusted PAT</b>	<b>8,465</b>	<b>20,078</b>	<b>16,069</b>	<b>21,452</b>
YoY gr. (%)	(112.4)	0.4	436.8	85.5
Margin (%)	2.8	6.4	4.9	6.2
Extra Ord. Income / (Exp)	(398)	(9,062)	-	-
<b>Reported PAT</b>	<b>8,067</b>	<b>11,016</b>	<b>16,069</b>	<b>21,452</b>
YoY gr. (%)	(135.2)	(29.3)	497.7	393.7
Margin (%)	2.7	3.5	4.9	6.2
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>8,067</b>	<b>11,016</b>	<b>16,069</b>	<b>21,452</b>
Avg. Shares O/s (m)	-	-	-	-
<b>EPS (Rs)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Company Data, PL Research

**Key Financial Metrics**

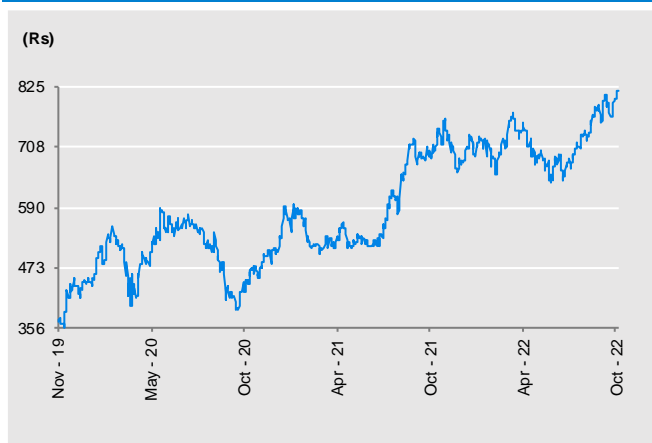
Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	7.8	18.7	31.1	46.3
CEPS	68.0	81.2	103.7	121.3
BVPS	121.2	166.8	184.2	221.5
FCF	27.9	69.1	101.4	123.2
DPS	3.0	5.0	7.0	9.0
<b>Return Ratio(%)</b>				
RoCE	10.7	14.1	16.9	21.1
ROIC	7.0	9.5	11.7	15.4
RoE	6.9	13.2	18.1	22.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	2.3	1.6	1.3	0.7
Net Working Capital (Days)	(137)	(104)	(90)	(82)
<b>Valuation(x)</b>				
PER	106.5	44.6	26.9	18.0
P/B	6.9	5.0	4.5	3.8
P/CEPS	12.3	10.3	8.1	6.9
EV/EBITDA	10.7	8.8	7.1	5.7
EV/Sales	5.3	4.5	3.8	3.0
Dividend Yield (%)	0.4	0.6	0.8	1.1

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY22	FY23E	FY24E	FY25E
Subscribers (mn)	326	332	340	342
ARPU (Rs/mon)	163	199	239	265
USD/INR	74	80	84	87

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	BUY	1,032	809
2	04-Oct-22	BUY	1,032	803
3	05-Sep-22	BUY	1,032	740

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	Reduce	240	305
2	Bharti Airtel	BUY	1,032	809
3	GAIL (India)	BUY	120	87
4	Gujarat Gas	Hold	530	503
5	Hindustan Petroleum Corporation	Hold	195	217
6	Indian Oil Corporation	Reduce	50	68
7	Indraprastha Gas	BUY	596	397
8	Mahanagar Gas	BUY	1,103	832
9	Oil & Natural Gas Corporation	BUY	160	127
10	Oil India	BUY	300	175
11	Petronet LNG	BUY	307	200
12	Reliance Industries	BUY	2,892	2,480

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Avishek Datta- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Avishek Datta- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

[www.plindia.com](http://www.plindia.com)