

- ❑ Bharti Airtel Limited (BHARTIARTL) has reported consolidated revenue of ₹358 billion in Q3-FY23 as against ₹298 billion in Q3-FY22, a growth of 19.9%. Consolidated net revenues, after netting off access costs, license fees and cost of goods sold, stood at ₹302 billion, up 22.1% as compared to ₹247 billion in the corresponding quarter last year. India business revenues for the quarter stood at ₹249 billion, up 19.4% vis-à-vis ₹209 billion in the corresponding quarter last year.
- ❑ On profitability front, the company's consolidated EBITDA margin stood at 51.5% at ₹184 billion in Q3-FY23 as against 49.2% at ₹147 billion in same quarter previous year, an improvement of ~230 basis points. India business EBITDA margin for the quarter was at 52.7% as compared to 49.8% in the corresponding quarter last year. The consolidated profit after tax (PAT) margin for the company stood 3.3% at ₹11.7 billion as against 2.5% at ₹7.5 billion in same quarter previous year.
- ❑ The company's India business posted quarterly revenues of ₹249 billion, up 19.4% YoY on comparable basis. Mobile revenues grew by 20.8% YoY on account of improved realisation as well as strong 4G customer additions during the year. ARPU for the quarter stood at Rs 193 as compared to Rs 163 in Q3'22 on the back of our continued focus on quality customers and premiumization. The company added 21.2 Mn 4G data customers to our network over last year, an increase of 10.8% YoY. It also rolled out additional ~8.6k towers in the quarter to further strengthen its network coverage and provide ubiquitous connectivity.
- ❑ The company's Homes business segment continues its strong momentum and delivered a revenue growth of 29.8% YoY, backed by continued acceleration on the back of growing need for reliable and consistent broadband in India. It added 432K customers during the quarter to reach to a total base of 5.6 Mn. The company continues to accelerate rollouts on the back of innovative asset light local cable operator partnership model and is now live in 1,140 cities through this model.
- ❑ In its mobile business the company continues to strengthen its position with 16.4% YoY revenue growth by leveraging the converged portfolio of Airtel and harvesting the rapidly increasing demand for data and connectivity related solutions. The company's ARPU in the quarter stood at ₹193 as against ₹163 in same quarter previous year, a healthy growth of ~18%. Its mobile data traffic increased to 12,902 PBs in the quarter as against 10,535 PBs YoY, a growth of 22.5%. The company has so far launched 5G Plus services in 70 cities so far.
- ❑ Going ahead, the company plans to expand its diversified portfolio. It plans to expand to new 40,000 rural areas in India and further enhance its combined services (mobile, broadband, DTH, B2B) in existing top 150 cities through 5G rollout. The company also plans to go live in 300 cities by March-23 and full urban coverage by Mar-24. On ARPU front, the company expects ARPUs to gradually improve to ₹300 in medium term.
- ❑ We continue to believe that momentum in revenue backed by continued growth in customer additions and improved margins support the growth prospects for the company in long term. We maintain our **Buy** rating on the stock with a target price of **₹890 per share**.

## Q3-FY23 results (Consolidated)

(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	3,58,044	2,98,666	19.9%	10,31,358	8,50,466	21.3%
Operating Expense	1,73,512	1,51,638	14.4%	5,05,594	4,35,530	16.1%
EBITDA	1,84,532	1,47,028	25.5%	5,25,764	4,14,936	26.7%
Other Income	2,576	1,971		6,517	5,157	
Depreciation	92,977	85,472		2,70,259	2,45,081	
EBIT	94,131	63,527	48.2%	2,62,022	1,75,012	49.7%
Interest	46,856	43,671		1,41,368	1,25,569	
PBT	47,275	19,856	138.1%	1,20,654	49,443	144.0%
Tax	10,756	9,908		34,853	28,561	
Exceptional Items	(6,698)	398		(6,698)	7,924	
<b>PAT</b>	<b>29,821</b>	<b>10,346</b>	<b>188.2%</b>	<b>79,103</b>	<b>28,806</b>	<b>174.6%</b>
Minority /Other Adj.	(18,074)	(2,756)		(51,539)	(6,379)	
<b>Consolidated PAT</b>	<b>11,747</b>	<b>7,590</b>	<b>54.8%</b>	<b>27,564</b>	<b>22,427</b>	<b>22.9%</b>

Margins	Q3-FY23	Q3-FY22	ChgBPS	9M-FY23	9M-FY22	ChgBPS
Operating Margin %	51.5%	49.2%	231	51.0%	48.8%	219
Net Margin %	3.3%	2.5%	74	7.7%	3.4%	428

## Financials (Consolidated):

(In ₹ Mn.)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	10,06,158	11,65,469	13,58,937	15,69,572
Operating Expense	5,52,441	5,90,130	6,80,827	7,81,647
EBITDA	4,53,717	5,75,339	6,78,109	7,87,925
Other Income	6,428	5,343	6,795	7,848
Depreciation	2,94,044	3,30,907	3,39,734	3,56,721
EBIT	1,66,101	2,49,775	3,45,170	4,39,052
Interest	1,50,910	1,66,162	1,75,544	1,78,762
Misc. items	(1,59,145)	16,986	-	-
PBT	(1,43,954)	1,00,599	1,69,626	2,60,290
Tax	89,325	41,779	55,977	85,896
Minority Interest	(27,195)	(40,503)	-	-
PAT	(2,60,474)	18,317	1,13,650	1,74,394

Margins	FY-21	FY-22E	FY-23E	FY-24E
Sales Growth %	18.8%	15.8%	16.6%	15.5%
Operating Margin %	45.1%	49.4%	49.9%	50.2%
Net Margin %	-25.9%	1.6%	8.4%	11.1%

Source: Company, Anand Rathi Research

(In ₹ Mn.)	FY-21	FY-22E	FY-23E	FY-24E
<b>Liabilities</b>				
Equity Share Capital	28,337	28,956	28,956	28,956
Reserves & Surplus	5,61,190	6,36,587	7,50,237	9,24,631
Total Shareholder's Funds	5,89,527	6,65,543	7,79,193	9,53,587
Minority Interest	2,22,739	2,53,807	2,53,807	2,53,807
Long-Term Liabilities	11,05,603	11,35,350	11,35,350	11,35,350
Other Long-term Liabilities	4,09,943	4,17,112	4,17,112	4,17,112
Deferred Tax Liability	(1,84,757)	(1,74,762)	(1,74,762)	(1,74,762)
Short-term Liabilities	11,16,359	11,40,260	13,02,314	15,04,173
<b>Total</b>	<b>32,59,414</b>	<b>34,37,310</b>	<b>37,13,014</b>	<b>40,89,268</b>
<b>Assets</b>				
Net Fixed Assets	22,92,061	25,00,380	24,10,973	22,80,743
Long-Term L&A	1,11,341	46,116	46,116	46,116
Non Current Investments	2,34,723	2,84,877	2,84,877	2,84,877
Other Non-Current Assets	73,760	85,658	85,658	85,658
Current Asset	5,47,529	5,20,279	8,85,390	13,91,874
<b>Total</b>	<b>32,59,414</b>	<b>34,37,310</b>	<b>37,13,014</b>	<b>40,89,268</b>

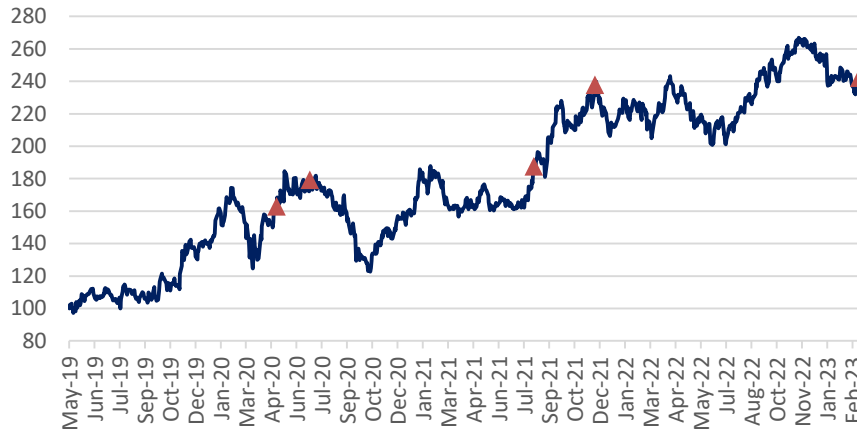
(In ₹ mn)	FY-21	FY-22E	FY-23E	FY-24E
EPS (₹)	-25.3	7.1	19.1	29.3
P/E (x)	-30.5	108.1	40.5	26.4
P/B (x)	7.8	6.9	5.9	4.8
ROE	-25.6%	6.4%	14.6%	18.3%

## 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 9 March 2023 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
09-Feb-23	BUY	890	772

Source: Bloomberg, Anand Rathi Research

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