

November 3, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	993		936	
Sales (Rs.m)	15,77,027	18,59,388	15,90,248	18,72,052
% Chng.	(0.8)	(0.7)		
EBITDA (Rs.m)	8,28,021	9,92,664	8,32,379	9,99,496
% Chng.	(0.5)	(0.7)		
EPS (Rs.)	14.4	37.2	17.1	38.1
% Chng.	(15.4)	(2.4)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,391	1,577	1,859	2,127
EBITDA (Rs. bn)	713	828	993	1,149
Margin (%)	51.2	52.5	53.4	54.0
PAT (Rs. bn)	76	83	215	273
EPS (Rs.)	14.8	14.4	37.2	46.7
Gr. (%)	88.3	(2.4)	157.8	25.5
DPS (Rs.)	4.0	5.0	9.0	12.0
Yield (%)	0.4	0.5	1.0	1.3
RoE (%)	11.6	9.1	19.2	20.4
RoCE (%)	12.9	12.0	14.8	16.3
EV/Sales (x)	5.3	4.6	3.8	3.3
EV/EBITDA (x)	10.3	8.7	7.0	6.2
PE (x)	62.5	64.0	24.8	19.8
P/BV (x)	6.7	5.1	4.5	3.7

Key Data

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52-W High / Low	Rs.961 / Rs.736
Sensex / Nifty	64,081 / 19,133
Market Cap	Rs.5,400bn/ \$ 64,869m
Shares Outstanding	5,617m
3M Avg. Daily Value	Rs.4644.27m

Shareholding Pattern (%)

Promoter's	54.75
Foreign	21.87
Domestic Institution	19.84
Public & Others	3.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	16.9	14.1
Relative	2.4	11.9	8.4

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Muted operating performance

Quick Pointers:

- ARPU at Rs 203; net subscriber addition was at 3.7mn.
- Q2 consol capex was at Rs95.9bn vs Rs 114.bn in Q1.

We cut our FY24 EPS estimate by 15.4% due to volatility in Africa segment. Bharti Airtel reported EBITDA/PAT of Rs195.1bn (-0.4%QoQ; PLe Rs200bn) and Rs13.4bn (-16.9%QoQ; PLe Rs15.3bn). India mobile revenues were up 2.7%QoQ and EBITDA margin was stable at 54.9%. ARPU grew 1.5% QoQ to Rs203 (PLe Rs203) with 7.7mn growth in 4G subscribers (overall net addition was 3.7mn). Africa mobile Revenue/EBITDA was down 9.2%/8.5% QoQ, and Enterprise revenue grew 1.1% QoQ, while EBITDA grew by 3%QoQ due to 74bps jump in margins. Home services (fixed line + broadband) had an ARPU decline of 2.2% while DTH had ARPU grew 3.3%. We maintain our positive stance on the sector, due to falling competitive intensity, given weak financial position of peers. Maintain 'Accumulate' rating at SOTP based TP of Rs993 (Rs936 earlier) based on 8.5x FY26 EV/EBITDA for India mobile multiple, 4.5x FY26 EV/EBITDA for Airtel Africa, enterprise segment at 9x FY26 EV/EBITDA, 3x FY26 EV/EBITDA for DTH and 6x EV/EBITDA for home services.

4G subscriber addition of 7.7m sustains India mobile business: India mobile Q2 Revenue/ EBITDA were Rs209.5bn (+2.7%QoQ) and Rs115bn (+3%QoQ). Q2 4G net customer addition was an impressive 7.7mn (13.3mn in H1FY24) and for H1FY24 net subscriber addition was at 6.9mn with average ARPU of Rs203 (+6.9%YoY). We expect moderate growth in ARPU in near term. We estimate FY24/25/26E net subscriber adds at 13/12/8mn each along with ARPU of Rs215/225/236.

Poor Africa performance: Q2 Africa revenues and EBITDA were at \$1.2bn (-9.6%QoQ) and USD613mn (-8.5%QoQ). While total subscribers grew by 4.6mn, ARPU grew by 2.4%QoQ to \$2.5 maintaining EBITDA margins at 48.9%. For H1FY24, EBITDA/PAT was at USD2.2bn (+3%YoY) and USD0.3bn (+7%YoY) with net subscriber addition of 7.6m (6.2mn in H1FY23).

Steady improvement in enterprise and home services EBITDA: In Q2 the enterprise segment remained largely flat at 1% QoQ to Rs 51.1bn while EBITDA partially recovered by 3% due to 74bps increase in margins at 40.3% at Rs20.6bn. H1FY24 segment EBITDA increased to Rs40.5bn (+15.9%YoY). Home services revenue was at Rs12.2bn (+5%QoQ) and EBITDA was at Rs6bn (+3.6% QoQ) and margins were at 49.8%. Although ARPU decreased by 2.2% to come in at Rs595 (Q1: Rs 608), subscriber base was up 7.3% QoQ at 6.9mn. For H1FY24, segment EBITDA was at Rs11.9bn (+21.6%YoY). DTH EBITDA was down 1.2% QoQ to Rs 4.2bn, although ARPU grew 3.3% to Rs159. Subscriber base was also down 1.1% and totaled to 15,749k. For H1FY24, EBITDA was at Rs8.5bn (-7.2%YoY), as subscribers were lower at 15.7mn (H1FY23 15.8mn).

Exhibit 1: Bharti Quarterly and Half Yearly Income statement (Rs mn)

Y/e March	2QFY24	2QFY23	YoY gr.	1QFY24	QoQ gr.	H1FY24	H1FY23	YoY gr.
Revenue	3,70,438	3,45,268	7.3%	3,74,400	4.0%	7,44,838	6,73,314	10.6%
Operating Expenses								
Cost of services (Excl D&A)	1,35,817	1,32,210	2.7%	1,35,983	1.7%	2,71,800	2,60,277	4.4%
Access charges	18,144	19,310	-6.0%	19,972	6.0%	38,116	38,008	0.3%
License fees, revenue share & spectrum charges	29,643	29,511	0.4%	29,403	4.0%	59,046	60,817	-2.9%
Network operations costs	74,240	71,303	4.1%	74,036	0.0%	1,48,276	1,38,131	7.3%
Employee costs	13,790	12,086	14.1%	12,572	-0.5%	26,362	23,321	13.0%
SG&A (excl amortization of intangibles-take it from schedule of operating expenses)	19,590	17,823	9.9%	20,596	3.8%	40,186	33,492	20.0%
Other Expenses	19,894	19,297	3.1%	21,836	12.0%	41,730	38,313	8.9%
Total Operating Expense	1,75,301	1,69,330	3.5%	1,78,415	3.1%	3,53,716	3,32,082	6.5%
EBITDA	1,95,137	1,75,938	10.9%	1,95,985	4.8%	3,91,122	3,41,232	14.6%
Depreciation and amortization	97,343	89,468	8.8%	96,538	2.6%	1,93,881	1,77,282	9.4%
Interest	51,858	49,403	5.0%	56,137	8.7%	1,07,995	94,512	14.3%
Other income	3,304	2,019	63.6%	3,483	22.3%	6,787	3,941	72.2%
PBT	49,240	39,086	26.0%	46,793	6.0%	96,033	73,379	30.9%
Tax	18,465	12,864	43.5%	9,448	-142.2%	27,914	24,098	15.8%
Share of profits in associates / joint ventures	5,860	3,567	64.3%	5,899	-1.9%	11,759	5,195	126.4%
PAT	20,932	29,789	-29.7%	15,201	16.8%	36,133	54,476	-33.7%
PAT post minority interest	13,407	21,452	-37.5%	16,124	-46.4%	29,531	37,520	-21.3%

Source: Company, PL

Exhibit 2: Quarterly Segment wise performance

Y/e March (Rs m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
India wireless						
Revenues	181,404	188,823	193,527	195,493	203,924	209,521
<i>QoQ growth</i>	3.5%	4.1%	2.5%	1.0%	4.3%	2.7%
EBITDA	92,667	98,736	104,121	105,227	111,665	115,039
<i>QoQ growth</i>	4.6%	6.5%	5.5%	1.1%	6.1%	3.0%
<i>Margin (%)</i>	51.1%	52.3%	53.8%	53.8%	54.8%	54.9%
Subscribers EoP (m)	327	328	332	335	339	342
ARPU (Rs)	183	190	193	193	200	203
<i>QoQ growth</i>	2.8%	3.6%	1.9%	-0.1%	3.3%	1.5%
Africa operations						
Revenues (\$mn)	97,020	104,452	110,877	110,315	113,168	102,768
<i>QoQ growth</i>	5.6%	7.7%	6.2%	-0.5%	2.6%	-9.2%
EBITDA (\$ mn)	47,175	50,749	54,076	53,884	54,872	50,233
<i>QoQ growth</i>	3.4%	7.6%	6.6%	-0.4%	1.8%	-8.5%
<i>Margin (%)</i>	48.6%	48.6%	48.8%	48.8%	48.5%	48.9%
Subscribers (m)	132	135	139	140	143	148
ARPU (\$/mon)	2.9	3.1	3.1	3.1	2.5	2.5
Homes						
Revenues	9,265	9,899	10,343	10,966	11,621	12,207
<i>QoQ growth</i>	5.7%	6.8%	4.5%	6.0%	6.0%	5.0%
EBITDA	4,878	4,918	5,173	5,526	5,860	6,073
<i>QoQ growth</i>	3.1%	0.8%	5.2%	6.8%	6.0%	3.6%
<i>Margin (%)</i>	52.6%	49.7%	50.0%	50.4%	50.4%	49.8%
Enterprise Business						
Revenues	43,656	46,646	47,779	47,850	50,545	51,100
<i>QoQ growth</i>	4.4%	6.8%	2.4%	0.1%	5.6%	1.1%
EBITDA	16,945	18,146	19,050	19,680	19,979	20,578
<i>QoQ growth</i>	3.4%	7.1%	5.0%	3.3%	1.5%	3.0%
<i>Margin (%)</i>	38.8%	38.9%	39.9%	41.1%	39.5%	40.3%
DTH						
Revenues	7,482	7,288	7,390	7,290	7,403	7,515
EBITDA	4,779	4,352	4,132	4,081	4,264	4,212
<i>Margin (%)</i>	38.8%	38.9%	39.9%	41.1%	39.5%	40.3%
DTH subs (m)	15.7	15.8	16.0	15.9	15.9	15.7
DTH ARPU (Rs)	158	155	154	153	154	159

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	13,91,448	15,77,027	18,59,388	21,27,404
YoY gr. (%)	19.4	13.3	17.9	14.4
Cost of Goods Sold	-	-	-	-
Gross Profit	13,91,448	15,77,027	18,59,388	21,27,404
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	48,308	54,656	65,079	74,459
Other Expenses	78,794	86,668	86,839	70,204
EBITDA	7,12,735	8,28,021	9,92,664	11,48,798
YoY gr. (%)	23.9	16.2	19.9	15.7
Margin (%)	51.2	52.5	53.4	54.0
Depreciation and Amortization	3,64,318	4,37,432	4,70,466	5,35,319
EBIT	3,48,417	3,90,589	5,22,197	6,13,479
Margin (%)	25.0	24.8	28.1	28.8
Net Interest	1,92,999	1,96,086	2,12,829	2,14,831
Other Income	9,366	10,599	11,659	12,719
Profit Before Tax	1,64,784	2,05,103	3,21,028	4,11,367
Margin (%)	11.8	13.0	17.3	19.3
Total Tax	42,733	40,690	73,923	1,04,722
Effective tax rate (%)	25.9	19.8	23.0	25.5
Profit after tax	1,22,051	1,64,414	2,47,104	3,06,645
Minority interest	39,415	39,415	39,415	41,386
Share Profit from Associate	7,521	7,521	7,521	7,521
Adjusted PAT	75,938	82,654	2,15,210	2,72,781
YoY gr. (%)	93.6	8.8	160.4	26.8
Margin (%)	6.0	5.2	11.6	12.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	75,938	82,654	2,15,210	2,72,781
YoY gr. (%)	93.6	8.8	160.4	26.8
Margin (%)	6.0	5.2	11.6	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	83,459	82,654	2,15,210	2,72,781
Equity Shares O/s (m)	5,673	5,730	5,787	5,845
EPS (Rs)	14.8	14.4	37.2	46.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	24,55,160	26,74,492	28,08,217	29,48,628
Tangibles	24,55,160	26,74,492	28,08,217	29,48,628
Intangibles	-	-	-	-
Acc: Dep / Amortization	15,02,919	17,01,805	17,77,534	18,66,411
Tangibles	15,02,919	17,01,805	17,77,534	18,66,411
Intangibles	-	-	-	-
Net fixed assets	9,52,241	9,72,687	10,30,682	10,82,217
Tangibles	9,52,241	9,72,687	10,30,682	10,82,217
Intangibles	-	-	-	-
Capital Work In Progress	6,56,759	8,96,039	9,60,449	11,04,570
Goodwill	12,75,231	13,62,458	14,34,188	15,10,940
Non-Current Investments	6,93,272	5,40,803	3,93,143	6,12,254
Net Deferred tax assets	(20,762)	(20,762)	(20,762)	(22,838)
Other Non-Current Assets	3,13,816	3,13,816	3,13,816	3,13,816
Current Assets				
Investments	47,045	51,750	56,924	56,924
Inventories	2,576	2,576	2,576	2,576
Trade receivables	39,815	39,815	39,815	39,815
Cash & Bank Balance	1,34,186	4,84,571	7,16,421	6,90,790
Other Current Assets	1,29,243	1,42,167	1,56,384	1,72,022
Total Assets	44,66,332	50,51,045	53,73,199	58,81,603
Equity				
Equity Share Capital	28,366	28,366	28,366	28,366
Other Equity	7,47,263	10,09,089	11,72,214	14,44,995
Total Network	7,75,629	10,37,455	12,00,580	14,73,361
Non-Current Liabilities				
Long Term borrowings	20,23,981	21,72,373	21,57,874	21,92,754
Provisions	4,744	5,218	5,740	6,314
Other non current liabilities	1,029	1,132	1,245	1,370
Current Liabilities				
ST Debt / Current of LT Debt	2,36,222	2,50,198	2,50,198	2,59,844
Trade payables	3,28,946	3,84,467	4,46,437	5,14,716
Other current liabilities	6,54,470	7,06,303	7,63,319	8,26,037
Total Equity & Liabilities	44,66,332	50,51,045	53,73,199	58,81,603

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,65,607	1,62,758	3,28,549	4,18,888
Add. Depreciation	3,64,318	4,37,432	4,70,466	5,35,319
Add. Interest	1,92,999	1,96,086	2,12,829	2,14,831
Less Financial Other Income	9,366	10,599	11,659	12,719
Add. Other	6,698	49,866	-	-
Op. profit before WC changes	7,29,622	8,46,142	10,11,844	11,69,038
Net Changes-WC	9,45,835	4,03,250	58,264	1,32,447
Direct tax	(42,733)	(40,690)	(73,923)	(1,04,722)
Net cash from Op. activities	16,32,724	12,08,702	9,96,185	11,96,763
Capital expenditures	(11,29,700)	(6,29,169)	(5,13,921)	(10,23,512)
Interest / Dividend Income	-	-	-	-
Others	(4,131)	(2,747)	(3,022)	(3,324)
Net Cash from Inv. activities	(11,33,831)	(6,31,916)	(5,16,943)	(10,26,836)
Issue of share cap. / premium	38,213	1,57,956	-	70,141
Debt changes	3,26,303	1,62,368	(14,499)	(15,949)
Dividend paid	(22,693)	(28,650)	(52,085)	(70,141)
Interest paid	(1,92,999)	(1,96,086)	(2,12,829)	(2,14,831)
Others	-	-	-	-
Net cash from Fin. activities	1,48,825	95,589	(2,79,413)	(2,30,779)
Net change in cash	6,47,717	6,72,375	1,99,829	(60,853)
Free Cash Flow	3,98,407	7,84,777	5,01,677	5,75,956

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	3,58,044	3,60,090	3,74,400	3,70,438
YoY gr. (%)	19.9	14.3	14.1	7.3
Raw Material Expenses	-	-	-	-
Gross Profit	3,58,044	3,60,090	3,74,400	3,70,438
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	1,84,532	1,86,971	1,95,985	1,95,137
YoY gr. (%)	25.5	16.6	18.6	10.9
Margin (%)	51.5	51.9	52.3	52.7
Depreciation / Depletion	92,977	94,059	96,538	97,343
EBIT	91,555	92,912	99,447	97,794
Margin (%)	25.6	25.8	26.6	26.4
Net Interest	46,856	51,631	56,137	51,858
Other Income	2,576	2,849	3,483	3,304
Profit before Tax	47,275	44,130	46,793	49,240
Margin (%)	13.2	12.3	12.5	13.3
Total Tax	10,756	7,880	3,327	18,465
Effective tax rate (%)	22.8	17.9	7.1	37.5
Profit after Tax	36,519	36,250	43,466	30,775
Minority interest	10,255	12,204	(923)	7,525
Share Profit from Associates	(3,684)	6,010	5,899	5,860
Adjusted PAT	15,881	30,054	16,125	13,407
YoY gr. (%)	96.8	172.7	0.4	(37.5)
Margin (%)	4.4	8.3	4.3	3.6
Extra Ord. Income / (Exp)	1	2	-	-
Reported PAT	15,882	30,056	16,125	13,407
YoY gr. (%)	96.9	172.8	0.3	(37.5)
Margin (%)	4.4	8.3	4.3	3.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,882	30,056	16,125	13,407
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	14.8	14.4	37.2	46.7
CEPS	79.3	90.8	118.5	138.3
BVPS	137.4	181.1	207.5	252.1
FCF	70.6	137.0	86.7	98.5
DPS	4.0	5.0	9.0	12.0
Return Ratio(%)				
RoCE	12.9	12.0	14.8	16.3
ROIC	8.1	8.7	11.4	11.9
RoE	11.6	9.1	19.2	20.4
Balance Sheet				
Net Debt : Equity (x)	2.7	1.8	1.4	1.2
Net Working Capital (Days)	(138)	(140)	(136)	(136)
Valuation(x)				
PER	62.5	64.0	24.8	19.8
P/B	6.7	5.1	4.5	3.7
P/CEPS	11.7	10.2	7.8	6.7
EV/EBITDA	10.3	8.7	7.0	6.2
EV/Sales	5.3	4.6	3.8	3.3
Dividend Yield (%)	0.4	0.5	1.0	1.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Subscribers (mn)	335	348	360	368
ARPU (Rs/mon)	192	215	225	236
USD/INR	80	81	82	82

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-23	Accumulate	936	926
2	04-Aug-23	Accumulate	935	890
3	06-Jul-23	BUY	923	870
4	17-May-23	BUY	874	792
5	06-Apr-23	BUY	977	763
6	08-Feb-23	BUY	1,008	775
7	03-Jan-23	BUY	1,039	818

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	472	489
2	Bayer Cropscience	Accumulate	4,720	5,270
3	Bharat Petroleum Corporation	Hold	365	347
4	Bharti Airtel	Accumulate	936	926
5	Clean Science and Technology	Hold	1,418	1,410
6	Deepak Nitrite	Reduce	1,854	2,125
7	Dhanuka Agritech	BUY	950	854
8	Fine Organic Industries	Hold	4,252	4,303
9	GAIL (India)	BUY	139	120
10	Godrej Agrovet	Hold	420	515
11	Gujarat Fluorochemicals	Accumulate	3,230	2,846
12	Gujarat Gas	Accumulate	480	425
13	Gujarat State Petronet	BUY	327	290
14	Hindustan Petroleum Corporation	Hold	263	258
15	Indian Oil Corporation	Hold	94	92
16	Indraprastha Gas	Hold	539	460
17	Insecticides India	Accumulate	550	514
18	Jubilant Ingrevia	Hold	433	412
19	Laxmi Organic Industries	Reduce	220	254
20	Mahanagar Gas	Hold	1,065	1,015
21	Mangalore Refinery & Petrochemicals	Hold	94	96
22	Navin Fluorine International	BUY	4,007	3,430
23	NOCIL	Hold	228	226
24	Oil & Natural Gas Corporation	BUY	202	181
25	Oil India	BUY	341	296
26	P.I. Industries	BUY	4,850	3,421
27	Petronet LNG	Hold	208	202
28	Rallis India	Reduce	190	217
29	Reliance Industries	BUY	2,618	2,266

PL's Recommendation Nomenclature (Absolute Performance)

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

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