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Telecom

Jan-Mar'24 Earnings Preview

April 10, 2024

Steady growth expected

Q4FY24 Revenue and EBITDA of telecom companies in our coverage universe (Jio (unrated) + Bharti) is expected to increase by 2%QoQ and 3% QoQ to Rs646.6bn and Rs340.6bn respectively led by healthy subscriber addition of 13.2mn, besides building gradual increase in ARPU growth (~1%QoQ). Due to falling competitive intensity, given weak financial position of peers, we maintain our positive stance on the sector. Maintain 'Accumulate' rating on Bharti with SOTP based TP of Rs1,269 as we incorporate minor changes in our assumptions.

- **Bharti Airtel**: For Q4, we have factored subscriber growth of 3mn (Q3FY24: 3 mn) to 349mn coupled with ARPU increase of 1.5% QoQ to Rs 211. Airtel Africa business is expected to see revenue growth of 3% QoQ, and we have factored in a 4% QoQ growth rate for the enterprise business. Home services will see revenue growth of 10% QoQ. For DTH we have factored a growth of 2.2% QoQ.
  - Accordingly, Bharti's Q4FY24E consolidated Revenue/EBITDA is expected to increase to Rs387bn (+2.2% QoQ)/Rs203 bn (+2.6% QoQ).
  - Bharti is also targeting ~Rs 500bn market opportunity with its Enterprise offerings including CPaaS, cloud, cybersecurity and data centers as company expects 80% of corporates will put up 5G within next 3 years.
- **JIO:** We expect JIO to report Revenue/EBITDA of Rs259.9bn (2.4% QoQ)/Rs 137.6bn (3.6% QoQ). We have also factored in ARPU of Rs182 (flat QoQ) and subscriber addition of 10.2mn in Q4 to 481.1mn.

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bharti Airtel	Acc	1,204	1,269

Source: PL Acc=Accumulate

Exhibit 1: ARPU and subscriber addition for top 2 players has steadily risen

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24E
ARPU (Rs/mon)						
Bharti	193	193	200	203	208	211
Jio	178	179	181	182	182	182
Subscriber (mn)						
Bharti	332.2	335.4	338.6	342.3	345.6	348.6
Jio	432.9	439.3	448.5	459.7	470.9	481.1

Source: Company, PL

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Exhibit 2: Q4FY24 Result Preview

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Bharti Airtel	Sales	3,87,362	3,60,090	*7.6*	3,78,995	*2.2*	We have factored in net subscriber addition of 3m and ARPU of Rs 211 in Q4. Africa, enterprise and home services will show steady growth ahead, while DTH business will be muted
	EBITDA	2,03,365	1,86,971	*8.8*	1,98,148	*2.6*	
	Margin (%)	*52.5*	*51.9*	*58 bps*	*52.3*	*22 bps*	
	PBT	66,098	44,130	*49.8*	35,354	*87.0*	
	Adj. PAT	22,010	30,054	*(26.8)*	24,422	*(9.9)*	

Source: Company, PL

Exhibit 3: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Bharti Airtel	C	Acc	1,204	1,269	6,901.4	1,391.4	1,511.2	1,705.9	1,907.9	712.7	792.6	904.1	1,011.2	75.9	76.0	146.6	169.6	14.8	13.3	25.3	29.0	11.6	8.4	13.6	14.0	81.5	90.9	47.5	41.5

Source: Company, PL *S=Standalone / C=Consolidated / Acc=Accumulate*

Exhibit 4: Change in Estimates

	Rating		Target Price			Sales (Rs mn)						PAT (Rs mn)						EPS (Rs)					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Bharti Airtel	Acc	Acc	1,269	1,225	3.6%	1,97,485	1,75,175	12.7%	2,32,510	2,49,422	-6.8%	75,964	59,231	28.2%	1,46,609	1,59,716	-8.2%	13.3	10.3	28.2%	25.3	27.6	-8.2%

Source: Company, PL *C=Current / P=Previous / Acc=Accumulate*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	705
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	6,300	9,010
4	Bharat Forge	Accumulate	1,270	1,146
5	Bharat Petroleum Corporation	Sell	504	592
6	Bharti Airtel	Accumulate	1,225	1,134
7	CEAT	Accumulate	2,980	2,686
8	Clean Science and Technology	Hold	1,386	1,335
9	Deepak Nitrite	Reduce	1,985	2,208
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	Accumulate	4,215	4,031
12	Endurance Technologies	Hold	1,980	1,900
13	Exide Industries	Accumulate	350	322
14	Fine Organic Industries	Hold	4,351	4,361
15	GAIL (India)	Sell	162	201
16	Gujarat Fluorochemicals	Hold	3,313	3,270
17	Gujarat Gas	Hold	548	565
18	Gujarat State Petronet	Accumulate	399	378
19	Hero Motocorp	Accumulate	5,070	4,525
20	Hindustan Petroleum Corporation	Reduce	400	462
21	Indian Oil Corporation	Sell	144	170
22	Indraprastha Gas	Sell	383	475
23	Jubilant Ingrevia	Hold	480	486
24	Laxmi Organic Industries	Sell	206	251
25	Mahanagar Gas	Sell	1,125	1,485
26	Mahindra & Mahindra	BUY	2,306	2,013
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,350	12,422
29	Navin Fluorine International	BUY	3,929	3,093

PL's Recommendation Nomenclature

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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