Telecom

Jul-Sep'24 Earnings Preview

October 8, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bharti Airtel	Acc	1,657	1,831

Source: PL Acc=Accumulate

Tariff hikes to drive growth

Q2FY25 revenue and EBITDA of telecom companies in our coverage universe (Jio (unrated) + Bharti) are expected to increase by 7% and 9% QoQ to Rs697.1bn and Rs366.5bn, respectively, led by tariff hikes, although subscriber growth is likely to be muted. We maintain our positive stance on the telecom sector given the much needed tariff hikes undertaken by the sector. Maintain 'Accumulate' rating on Bharti with SOTP-based TP of Rs1,834 valuing the India mobile business at 15x avg FY26-27 EV/EBITDA, 7x avg FY26-27 EV/EBITDA, 3x avg FY26-27 EV/EBITDA for DTH and Home Services, and adding the value of its investments in Airtel Africa, Indus Towers and Bharti Hexacom.

Bharti Airtel: For Q2, subscriber growth is to come in flat at 355mn, however ARPU to come in at Rs 225 (up 8% QoQ). Airtel Africa business is expected to remain muted QoQ, and we have factored in a 4% QoQ growth rate for the enterprise business. For DTH we have factored a growth of 3.4% QoQ.

- Accordingly, Bharti's Q2FY25E consolidated Revenue/EBITDA is expected to increase to Rs411.9bn (+7% QoQ)/Rs217.1 bn (+10.2% 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 Rs285.1bn (7.7% QoQ)/Rs 149.3bn (7.3% QoQ). We have also factored in ARPU of Rs194 (+7% QoQ) and muted subscriber growth to 492.7mn.

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

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25E
ARPU (Rs/mon)							
Bharti	193	200	203	208	209	211	225
Jio	179	181	182	182	182	182	194
Subscriber (mn)							
Bharti	335.4	338.6	342.3	345.6	352.3	354.5	355.0
Jio	439.3	448.5	459.7	470.9	481.8	489.7	492.7

Source: Company, PL

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Exhibit 2: Q2FY25 Result Preview

Company Name		Q2FY25E	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	Remark
Bharti Airtel	Sales	4,11,977	3,70,438	*11.2*	3,85,064	*7.0*	We have factored in net subscriber addition to be muted and ARPU of Rs 225 in Q2. Africa, enterprise and home services will show steady growth ahead, while DTH business will be muted
	EBITDA	2,17,112	1,95,137	*11.3*	1,97,076	*10.2*	
	Margin (%)	*52.7*	*52.7*	*2 bps*	*51.2*	*152 bps*	
	PBT	50,124	49,240	*1.8*	43,786	*14.5*	
	Adj. PAT	38,785	13,407	*189.3*	36,131	*7.3*	

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)			
						FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Bharti Airtel	C	Acc	1,657	1,831	9,413.3	1,499.8	1,697.5	1,965.2	2,148.6	782.9	888.7	1,041.6	1,138.8	112.8	198.3	274.4	304.9	19.9	34.9	48.3	53.7	14.1	22.2	24.8	21.9	83.4	47.5	34.3	30.9

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)					
						FY25E			FY26E			FY25E			FY26E			FY25E			FY26E		
	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	1,831	1,593	*14.9%*	2,34,494	2,74,231	*-14.5%*	3,44,420	2,85,996	*20.4%*	1,98,292	2,22,099	*-10.7%*	2,74,394	2,24,857	*22.0%*	34.9	39.1	*-10.7%*	48.3	39.6	*22.0%*

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	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,146	11,628
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Sell	279	335
6	Bharti Airtel	Accumulate	1,593	1,444
7	CEAT	Hold	3,107	2,938
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,564	2,829
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Sell	205	224
16	Gujarat Fluorochemicals	Reduce	3,771	4,065
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Sell	362	394
21	Indian Oil Corporation	Reduce	156	163
22	Indraprastha Gas	Sell	407	543
23	Jubilant Ingrevia	Hold	770	794
24	Laxmi Organic Industries	Sell	218	276
25	Mahanagar Gas	Hold	2,050	1,825
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	15,045	12,528
29	Navin Fluorine International	Accumulate	3,680	3,419

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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