

Bharti Airtel Ltd.

BUY

Sector: Telecom

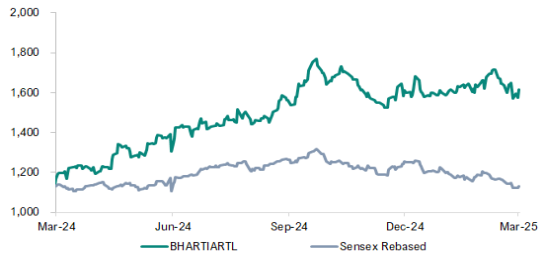
10th March, 2025

Key Changes	Target ▲	Rating ●	Earnings ▲	Target	1,815
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	BHARTI:IN	74,333	BHARTIARTL	532454	12 Months
				CMP	1,631
				Return	+11%

Data as of: 07-03-2025

Company Data			
Market Cap (Rs.cr)	936,599		
52 Week High — Low (Rs.)	1,779 - 1,151		
Enterprise Value (Rs. cr)	1,196,510		
Outstanding Shares (cr)	608.8		
Free Float (%)	47.0		
Dividend Yield (%)	0.5		
6m average volume (cr)	0.6		
Beta	0.7		
Face value (Rs.)	5.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	53.2	53.1	53.1
FII's	24.6	25.1	24.3
MFs/Institutions	19.3	18.8	19.6
Public	2.1	2.1	2.1
Others	0.8	0.9	0.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	0.2%	4.5%	38.3%
Absolute Sensex	-9.8%	-10.3%	0.1%
Relative Return	10.0%	14.8%	38.3%

***over or under performance to benchmark index**



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	172,480	201,370	229,562
Growth (%)	15.0	16.8	14.0
EBITDA	92,706	110,088	126,103
EBITDA Margin (%)	53.7	54.7	54.9
PAT Adjusted	24,842	32,914	41,555
Growth (%)	65.2	32.5	26.3
Adjusted EPS	40.8	54.1	68.3
Growth (%)	64.1	32.5	26.3
P/E	39.6	29.9	23.7
P/B	9.4	7.7	6.3
EV/EBITDA	13.1	11.0	9.6
ROE (%)	30.8	25.8	26.5
D/E	1.7	1.4	1.2

Tariff repair helps India mobile business shine

Bharti Airtel Ltd (Airtel) is a leading global telecommunications company with operations in 15 countries, including Asia and Africa, and ~577mn customers as of Q3FY25.

- Consolidated revenue grew 19.1% YoY to Rs. 45,129cr in Q3FY25, led by growth in revenue from India, constant currency growth in Africa, and the consolidation of Indus Tower Ltd with effect from November 2024.
- Revenue from India increased 24.6% YoY to Rs. 34,654cr, driven by growth in Mobile services (+21.4% YoY), along with the impact of tariff repair in the segment and strong growth in Home businesses (+18.7% YoY).
- Revenue of Airtel business and Passive Infrastructure Services increased 8.7% YoY and 5.7% YoY, while the digital TV revenue was down 2.9% YoY.
- Average revenue per user (ARPU) was reported at Rs. 245 in Q3FY25 compared with Rs. 208 in Q3FY24.
- EBITDA rose 21.4% YoY to Rs. 24,597cr in Q3FY25, aided by higher topline and drop in other expenses. Thus, EBITDA margin improved 110bps YoY to 54.5%.
- Reported Profit After Tax (PAT) increased 460.9% YoY to Rs. 16,135cr.

Outlook & Valuation

During Q3FY25, Airtel's business outshined on account of tariff repair, thus, India mobile business outperformed. The company's ARPU remained to be the best in the industry, with a rising customer base. Its continued focus on diversifying its portfolio across India and Africa and the Indus Tower Ltd consolidation indicates a positive impact in the long term. Airtel's 5G expansion, which is on track, strategic partnership, price structure simplification to gain market share and improving completeness addressing customer and market requirement are expected to drive its overall performance in the long run. Hence, **we reiterate our BUY rating on the stock, with a rolled-forward target price of Rs. 1,815 based on the Sum Of The Parts (SOTP) methodology.**

Quarterly Financials Consol.

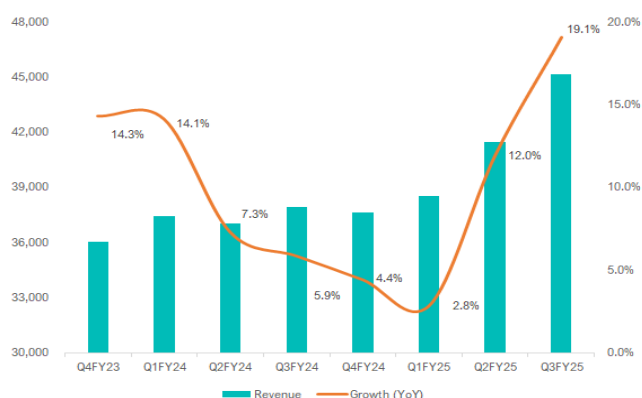
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	45,129	37,900	19.1	41,473	8.8	125,109	112,383	11.3
EBITDA	24,597	20,255	21.4	21,846	12.6	66,150	59,367	11.4
Margin (%)	54.5	53.4	110bps	52.7	180bps	52.9	52.8	10bps
EBIT	12,892	10,180	26.6	10,846	18.9	32,906	29,904	10.0
PBT	16,892	4,108	311.2	5,897	186.4	28,815	9,901	191.0
Rep. PAT	16,135	2,876	460.9	4,153	288.5	25,006	6,490	285.3
Adj PAT	7,236	2,572	181.3	4,447	62.7	15,107	10,512	43.7
Adj. EPS (Rs)	11.9	4.3	178.0	7.3	62.6	24.8	17.5	41.5



Key concall highlights

- As of December 2024, Airtel has paid Rs. 3,626cr for deferred liabilities owing to spectrum acquired in 2016 to the Telecom Department.
- Net debt-to-EBITDA in Q3FY25 was reported at 1.98 times compared with 2.52 times in Q3FY24.
- Capex for the quarter was reported at Rs. 9,161cr, out of which Rs. 7,980cr was incurred by India and Rs. 1,181cr was incurred in Africa.
- The customer base in India stood at ~414 mn and 163 mn in Africa, bringing the total customer base at 577mn across 15 countries (+4.7% YoY growth).
- ~5.2k towers and ~16.3k mobile broadband stations were rolled out in Q3FY25 to increase the network and improve customer experience. Airtel invested in ~27.1k towers YoY and ~47.1km YoY of fiber was deployed in the quarter.
- Mobile data consumption increased 23.2% YoY with consumption per customer at 24.5 GB per month.

Revenue



EBITDA



SOTP Valuation

Particulars	Basis	Multiple	Year	% holding	Value (Rs. cr.)	Value/share (Rs.)
India and SA	EV/EBITDA	12.5	FY27E	100.0%	1,168,313	1,919
Africa	EV/EBITDA	6.5	FY27E	56.0%	118,801	195
Tower	15% Holdco Disc. To Market Cap			50.0%	36,922	61
Enterprise Value					1,324,036	2,175
Net Debt					-187,968	-309
Minority Interest					-31,102	-51
Equity value					1,104,966	1,815

Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	169,105	192,780	172,480	201,370	229,562	2.0	4.5
EBITDA	89,307	103,091	92,706	110,088	126,103	3.8	6.8
Margins (%)	52.8	53.5	53.7	54.7	54.9	90bps	120bps
Adj. PAT	20,199	29,757	24,842	32,914	41,555	23.0	10.6
EPS	33.2	48.9	40.8	54.1	68.3	22.9	10.6



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	139,145	149,982	172,480	201,370	229,562
% change	19.4	7.8	15.0	16.8	14.0
EBITDA	71,274	78,292	92,706	110,088	126,103
% change	23.9	9.8	18.4	18.7	14.5
Depreciation	36,432	39,538	44,056	46,567	50,893
EBIT	34,842	38,754	48,650	63,521	75,210
Interest	-19,300	-22,648	-23,412	-26,705	-28,170
Other Income	1,019	-3,428	14,999	3,786	3,949
PBT	16,561	12,679	40,237	40,602	50,989
% change	32.7	-23.4	217.4	0.9	25.6
Tax	4,273	4,121	5,352	5,400	6,782
Tax Rate (%)	25.8	32.5	13.3	13.3	13.3
Reported PAT	12,287	8,558	34,885	35,202	44,208
PAT att. to common shareholders	8,346	7,467	32,269	32,914	41,555
Adj.*	670	7,572	-7,427	-	-
Adj. PAT	9,016	15,039	24,842	32,914	41,555
% change	252.7	66.8	65.2	32.5	26.3
No. of shares (cr)	596.7	604.7	608.8	608.8	608.8
Adj EPS (Rs.)	15.1	24.9	40.8	54.1	68.3
% change	247.8	64.6	64.1	32.5	26.3
DPS (Rs.)	4.3	8.0	15.9	16.2	20.5

Cashflow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	48,719	48,096	78,941	81,769	95,100
Non-cash adj.	16,012	31,734	1,627	-5,812	-1,606
Other adjustments	-	-	-	-	-
Changes in W.C	593	-931	-622	-51	1,103
C.F. Operation	65,325	78,898	79,947	75,906	94,597
Capital exp.	-26,450	-39,929	-41,395	-38,260	-43,617
Change in inv.	-2,012	1,205	-4,200	3,140	-5,183
Other invest.CF	-10,618	-11,480	-	-	-
C.F - Investment	-39,080	-50,204	-45,595	-35,120	-48,799
Issue of equity	5,111	-224	-	-	-
Issue/repay debt	-11,312	-1,986	660	760	760
Dividends paid	-3,590	-4,185	-9,681	-9,874	-12,467
Other finance.CF	-14,678	-21,385	-23,412	-26,705	-28,170
C.F - Finance	-24,470	-27,779	-32,433	-35,819	-39,877
Chg. in cash	1,775	915	1,918	4,967	5,921
Closing Cash	13,419	16,340	18,258	23,225	29,146

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	13,419	16,340	18,258	23,225	29,146
Accts. Receivable	3,982	4,728	5,951	6,444	7,392
Inventories	258	364	489	628	773
Other Cur. Assets	39,844	36,845	48,573	60,571	75,734
Investments	28,249	31,333	36,752	39,461	42,441
Gross Fixed Assets	245,516	285,445	326,840	365,100	408,717
Net Fixed Assets	149,871	162,549	176,444	182,625	188,495
CWIP	11,029	8,908	10,689	12,827	15,393
Intangible Assets	165,919	148,751	130,413	113,787	98,076
Def. Tax -Net	18,952	19,243	21,167	25,400	30,481
Other Assets	15,111	15,472	16,795	20,388	25,429
Total Assets	446,633	444,531	465,531	485,356	513,359
Current Liabilities	98,342	107,965	96,553	90,248	85,305
Provisions	474	544	572	600	630
Debt Funds	226,020	215,592	223,679	224,439	225,199
Other Liabilities	15,353	14,865	13,959	13,974	14,388
Equity Capital	2,837	2,877	2,877	2,877	2,877
Res. & Surplus	74,726	79,142	101,730	124,770	153,859
Shareholder Funds	77,563	82,019	104,607	127,647	156,735
Minority Interest	28,881	23,545	26,162	28,450	31,102
Total Liabilities	446,633	444,531	465,531	485,356	513,359
BVPS	130	136	172	210	257

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	51.2	52.2	53.7	54.7	54.9
EBIT margin (%)	25.0	25.8	28.2	31.5	32.8
Net profit mgn.(%)	6.0	5.0	18.7	16.3	18.1
ROE (%)	10.8	9.1	30.8	25.8	26.5
ROCE (%)	10.5	12.1	13.7	16.7	18.2
W.C & Liquidity					
Receivables (days)	10.4	11.5	12.6	11.7	11.8
Inventory (days)	2.0	2.7	3.3	3.7	4.0
Payables (days)	250.6	258.7	240.9	211.7	200.8
Current ratio (x)	0.5	0.4	0.6	0.7	1.0
Quick ratio (x)	0.2	0.2	0.2	0.3	0.4
Turnover & Leverage					
Gross asset T.O (x)	0.6	0.6	0.6	0.6	0.6
Total asset T.O (x)	0.3	0.3	0.4	0.4	0.5
Int. covge. ratio (x)	1.8	1.7	2.1	2.4	2.7
Adj. debt/equity (x)	2.1	2.0	1.7	1.4	1.2
Valuation					
EV/Sales (x)	4.9	6.4	7.0	6.0	5.3
EV/EBITDA (x)	9.7	12.3	13.1	11.0	9.6
P/E (x)	49.6	49.4	39.6	29.9	23.7
P/BV (x)	5.8	9.1	9.4	7.7	6.3



Recommendation Summary - (last 3 years)



Dates	Rating	Target
24-May-23	BUY	926
11-Aug-23	HOLD	954
7-Nov-23	BUY	1,042
26-Feb-24	HOLD	1,230
27-May-24	HOLD	1,499
14-Aug-24	BUY	1,652
20-Nov-24	BUY	1,711
10-Mar-25	BUY	1,815

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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