



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

Company details

Market cap:	Rs. 9,36,628 cr
52-week high/low:	Rs. 1,779/1,151
NSE volume: (No of shares)	57.1 lakh
BSE code:	532454
NSE code:	BHARTIARTL
Free float: (No of shares)	246.8 cr

Shareholding (%)

Promoters	53.1
FII	24.3
DII	19.5
Others	3.1

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-4.0	1.9	-0.2	36.4
Relative to Sensex	-1.2	10.9	10.5	35.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Bharti Airtel Ltd

Starlink partnership -Step in the right direction

Telecom	Sharekhan code: BHARTIARTL	
Reco/View: Buy	↔	CMP: Rs. 1,643 Price Target: Rs. 1,920 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade

Summary

- We reiterate Buy rating on Bharti Airtel with unchanged PT of Rs. 1,920 (valued at 12x FY27E EV/EBITDA). At CMP, the stock trades 14.1/12.4/10.3x its FY25/FY26/FY27E EV/EBITDA.
- The company has signed an agreement with SpaceX to bring Starlink's high-speed internet services to its customers in India to extend its nationwide coverage.
- Starlink partnership will enable the company to extend its ability to offer nationwide connectivity, augmenting the revenue stream in the medium to long-term.
- We believe the partnership with SpaceX is in the right direction although pricing and regulation challenges will render it neutral in the near term but allay disruption concerns.

Bharti Airtel has signed an agreement with SpaceX to bring Starlink's high-speed internet services to its customers in India, subject to regulatory approvals. The partnership is expected to be mutually beneficial as Airtel gains access to Starlink's advanced satellite technology, while SpaceX is likely to benefit from Airtel's extensive ground infrastructure, retail network, and market expertise in India. The non-exclusive partnership with SpaceX to offer Starlink services in India augurs well for Bharti and Reliance by maintaining the competitive balance and mitigates the risk of SpaceX disrupting the Indian telecom landscape independently. Starlink's premium pricing may face challenges in India due to the low average ARPU of \$3 for mobile and \$5 for broadband, limiting early adoption to businesses, enterprises, and government initiatives, unless India-specific pricing strategies are introduced. Additionally, SpaceX must navigate significant regulatory hurdles, including spectrum allocation, local data storage, and security clearances, to achieve widespread adoption in India. We believe the partnership with SpaceX is in the right direction although pricing and regulation challenges will render it neutral in the near term but allay disruption concerns. By adding Starlink which is in addition to its existing alliance with Eutelsat OneWeb to its offerings, Airtel will further its ability to offer nationwide connectivity and connect previously underserved areas augmenting the revenue stream in the medium to long-term. We reiterate Buy on Bharti Airtel with unchanged price target (PT) of Rs. 1920 (valued at 12x FY27E EV/EBITDA). At CMP, the stock trades at 27.6x its FY27E EPS and 10.3x FY27E EV/EBITDA.

- SpaceX partnership:** The company has signed an agreement with SpaceX to bring Starlink's high-speed internet services to its customers in India, subject to regulatory approvals. This partnership would enable Airtel to bring world-class broadband to even the most remote parts of India, offering reliable and affordable Internet services to individuals, businesses, and communities. Earlier Starlink has tied up with Telcos in US (AT&T, T-mobile etc.) and other countries for providing its satellite internet services. The collaboration with SpaceX is a significant milestone, highlighting the company's commitment to advancing satellite connectivity. The partnership is expected to be mutually beneficial as Airtel gains access to Starlink's advanced satellite technology, while SpaceX is likely to benefit from Airtel's extensive ground infrastructure, retail network, and market expertise in India.
- Disruption fears allayed:** Satellite internet has improved with launch of Low Earth Orbit (LEO) satellites and was construed as likely disruptor leading to spur up of competitive intensity in India's telecom landscape. The partnership which is not an exclusive one as implied from Reliance Jio immediately signing a similar agreement with SpaceX to offer Starlink's broadband internet services to its customers in India augurs well for both companies as it leaves the competitive intensity unaltered and mitigates the concerns of disruption by SpaceX had it entered the Indian competitive telecom landscape independently.
- Pricing of offerings and regulatory clearances to be pivotal:** India's average mobile ARPU (Average Revenue Per User) is just around \$3, and broadband services cost around \$5 per month while Starlink positioned as a premium service, with prices varying significantly across regions such as \$80 per month in the US and \$10 per month for 50 GB in Kenya, could see pricing offerings challenging. Airtel and SpaceX are expected to explore offering Starlink equipment in Airtel's retail stores, and Starlink services via Airtel to business customers. However, Starlink's hardware costs are expected to range between Rs. 25,000-35,000, with a monthly subscription estimated at Rs.5,000-Rs.7,000, which is unlikely to be affordable to price sensitive Indian customers as it is significantly higher than India's average broadband cost of Rs.700-Rs.1,500 per month. Hence only few businesses, enterprises, and government-backed initiatives such as connectivity for schools, health centres, and community projects may see early adoption. To achieve widespread adoption, SpaceX in partnership may need to introduce India-specific pricing as seen in Africa. Starlink is a formidable player and has now turned more affordable than leading fixed internet providers in at least five African countries—Ghana, Kenya, Zimbabwe, Mozambique, and Cape Verde—offering monthly plans at less than half the cost of traditional services. Additionally, SpaceX is likely to be confronted with regulatory hurdles which include navigating spectrum allocation processes, local data storage regulations and security clearances.

Our Call

Valuation - Maintain BUY with unchanged PT of Rs. 1,920: Bharti Airtel is on a strong footing aided by strong underlying momentum across India Wireless business, Homes, Airtel Business, and Digital portfolio in India coupled with sustained constant currency growth in Africa. The agreement with SpaceX to bring Starlink's high-speed internet services to its customers is likely to augment the company revenues by selling and installing Starlink terminals through its retail network and targeting businesses and government sectors in remote areas with satellite connectivity solutions. We believe the partnership with SpaceX is in the right direction although pricing and regulation challenges will render it neutral in the near term but immediately allay telecom disruption concerns. By adding Starlink, which is in addition to its existing alliance with Eutelsat OneWeb to its offerings, Airtel will further its ability to offer nationwide connectivity augmenting the revenue stream in the medium to long-term. We reiterate Buy on Bharti Airtel with unchanged price target (PT) of Rs. 1920 (valued at 12x FY27E EV/EBITDA). At CMP, the stock trades at 27.6x its FY27E EPS and 10.3x FY27E EV/EBITDA.

Key Risks

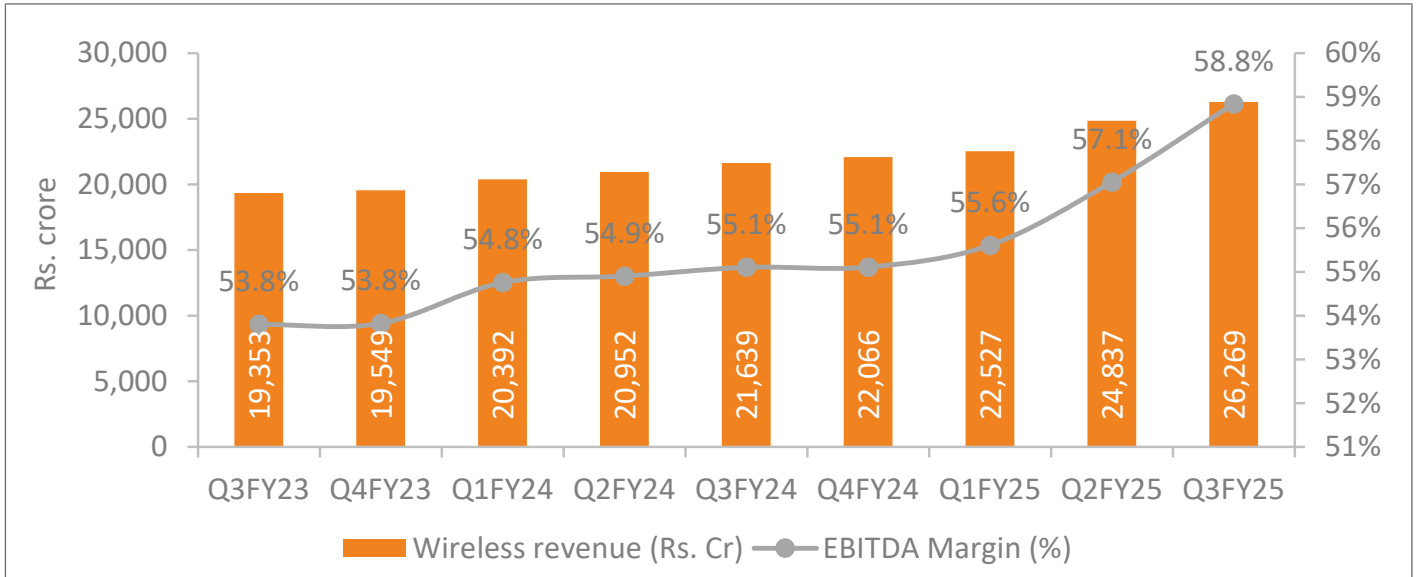
Rising competition could keep up the pressure on realisations. Continued decline in data volume growth could affect revenue growth. Any slowdown in Africa operations could affect its revenue growth.

Valuation (Consolidated)

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	149982.4	169256.9	188296.2	214918.1
OPM (%)	52.2	53.0	54.0	55.4
Adjusted PAT	11256.8	16871.7	23178.8	34145.2
y-o-y growth (%)	24.9	49.9	37.4	47.3
Adjusted EPS (Rs.)	19.5	29.4	40.4	59.5
P/E (x)	84.3	55.9	40.7	27.6
P/B (x)	12.1	9.6	11.2	11.5
EV/EBITDA (x)	15.7	14.1	12.4	10.3
RoNW (%)	9.0	28.3	22.9	36.6
RoCE (%)	12.9	12.8	13.3	18.2

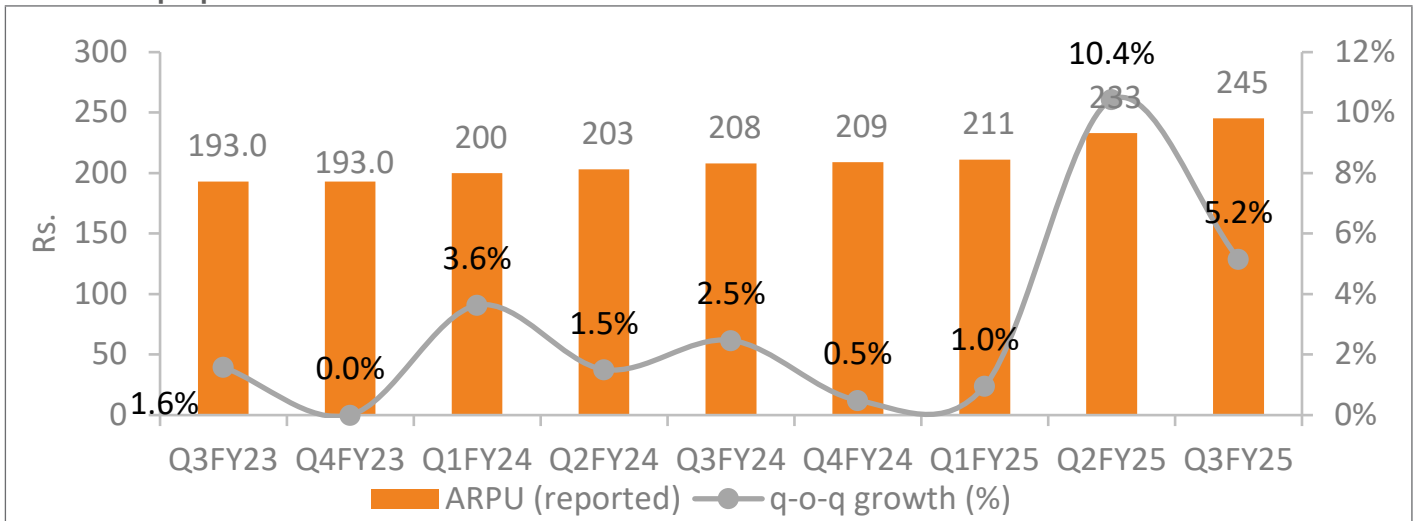
Source: Company; Mirae Asset Sharekhan estimates

India wireless revenue trend



Source: Company; Mirae Asset Sharekhan Research

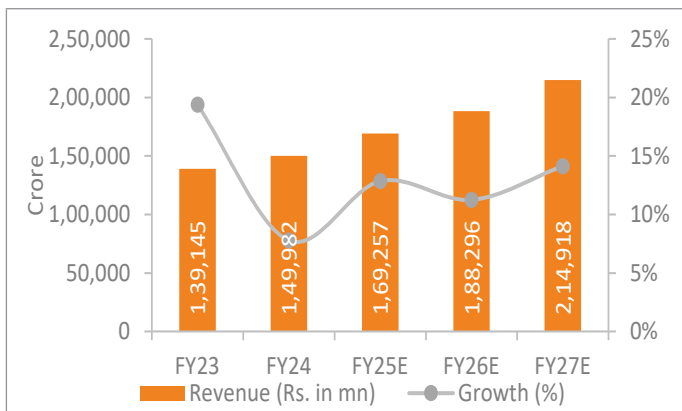
ARPU trend q-o-q



Source: Company; Mirae Asset Sharekhan Research

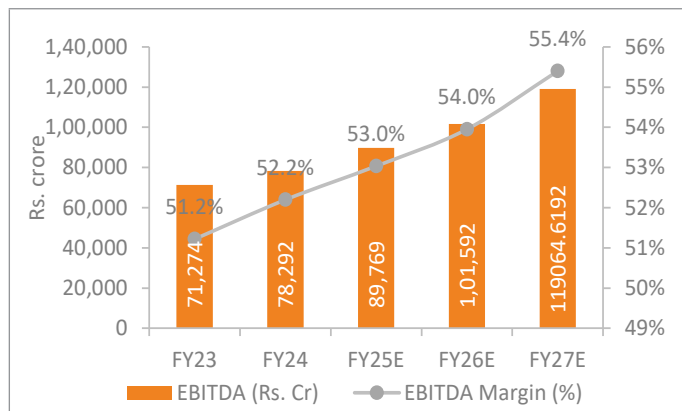
Financials in charts

Revenue



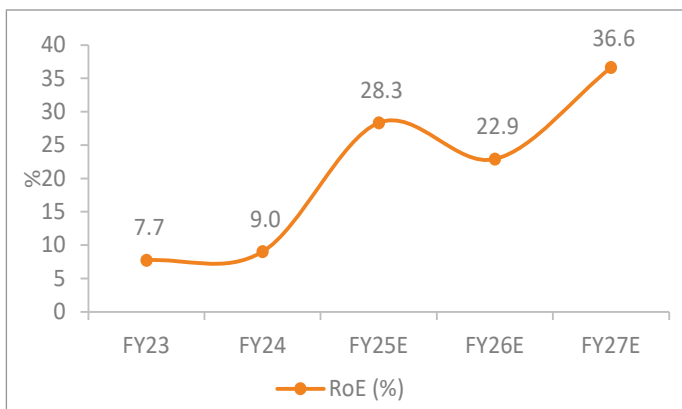
Source: Company; Mirae Asset Sharekhan Research

EBITDA and EBITDA Margin



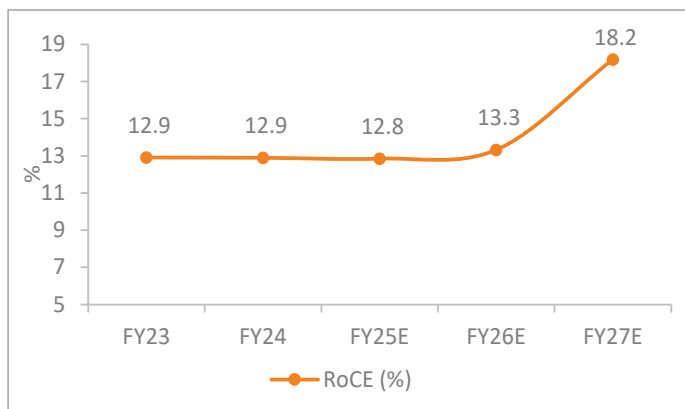
Source: Company; Mirae Asset Sharekhan Research

RoE



Source: Company; Mirae Asset Sharekhan Research

RoCE



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook - Large addressable market

After extensive consolidation, the structure of the telecom industry has changed from more than eight players to three private and one government operator now. The momentum has now shifted towards data. As smartphones are becoming more affordable, the uptake of data services is increasing. India has become the second-largest telecommunications market and has the second-highest number of internet users in the world. We believe that higher bundling with home entertainment, partnerships with content providers, and increasing data consumption due to work-for-home and online education could be major growth drivers going ahead.

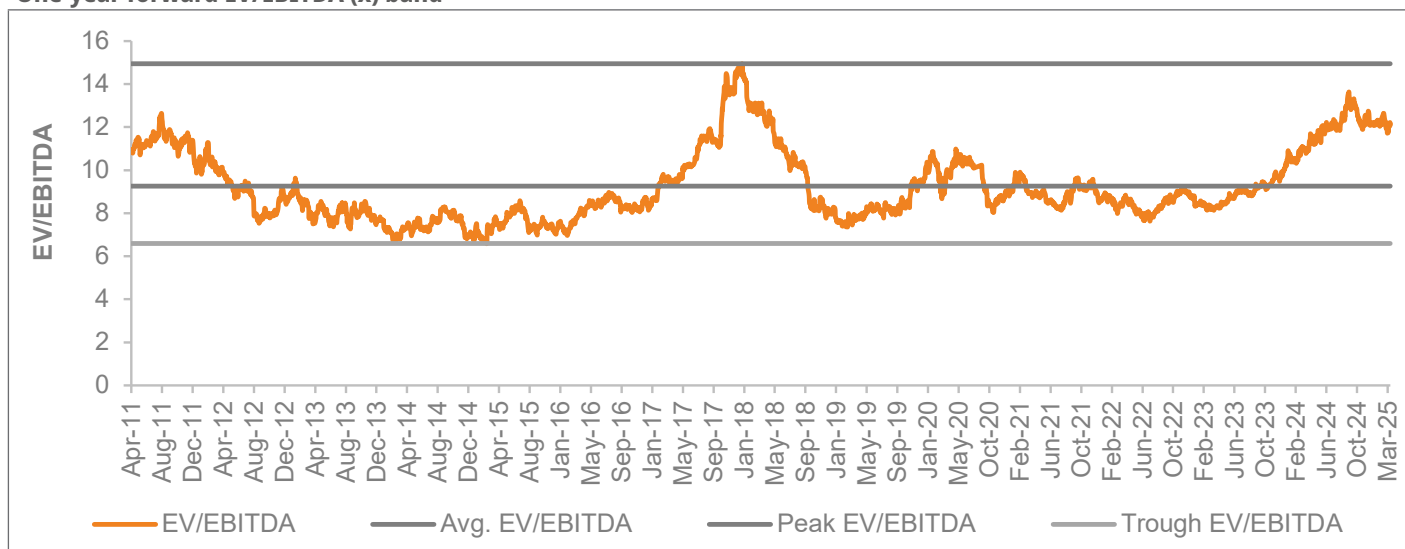
■ Company Outlook - Better positioned to gain market share

Though Airtel will be able to withstand competition in the wireless business, we believe the company's capex will be allocated towards the non-wireless business and differentiated digital capabilities to drive its growth going ahead. Further, the company's FCF is set to improve going ahead with the recent tariff increase and better cost management. Higher digitisation would enable the company to increase monetisation of digital assets and value-added services, a reduced churn rate across verticals, and improved wallet share from subscribers. With improving cash flow generation and adequate investments in digital offerings and networks, Bharti Airtel is well placed to grow in its core business and gain market share across its portfolio going ahead.

■ Valuation - Maintain Buy with unchanged PT of Rs 1,920

Bharti Airtel is on a strong footing aided by strong underlying momentum across India Wireless business, Homes, Airtel Business, and Digital portfolio in India coupled with sustained constant currency growth in Africa. The agreement with SpaceX to bring Starlink's high-speed internet services to its customers is likely to augment the company revenues by selling and installing Starlink terminals through its retail network and targeting businesses and government sectors in remote areas with satellite connectivity solutions. We believe the partnership with SpaceX is in the right direction although pricing and regulation challenges will render it neutral in the near term but immediately allay telecom disruption concerns. By adding Starlink, which is in addition to its existing alliance with Eutelsat OneWeb to its offerings, Airtel will further its ability to offer nationwide connectivity augmenting the revenue stream in the medium to long-term. We reiterate a Buy on Bharti Airtel with unchanged price target (PT) of Rs. 1920 (valued at 12x FY27E EV/EBITDA). At CMP, the stock trades at 27.6x its FY27E EPS and 10.3x FY27E EV/EBITDA.

One-year forward EV/EBITDA (x) band



Source: Company; Mirae Asset Sharekhan Research

About the company

Established in 1995, Bharti Airtel is one of the leaders in the Indian mobile telephony space with operations in 18 countries across Asia and Africa. The company ranks among the top three mobile service providers globally in terms of subscribers. Bharti Airtel is a diversified telecom service provider offering wireless, mobile commerce, fixed line, home broadband, enterprise, and DTH services. The company expanded into Africa in 2010 and is present in 14 African markets.

Investment theme

Revenue accretion from the 4G upgrade, minimum ARPU plans (rolled out across India), and recent tariff hike helped the company to report ARPU improvement. Further, the government's data localisation policies with increasing penetration of smartphones are likely to boost strong demand for data over the medium-to-long term. Despite a predatory pricing strategy from new entrants since its commercial launch in September 2016, Airtel has been resilient in sustaining its revenue market share (RMS) as it has been drastically standardising its plans to retain customers and acquire subscribers through M&A activities. We believe the company is well poised to deliver a strong multi-year EBITDA growth phase, given recent developments in the Indian wireless industry and market repairs (tariff hike and relief from the government).

Key Risks

1) Increasing competition could pressurise realisations and 2) Slower growth in data volumes could affect data revenue growth.

Additional Data

Key management personnel

Sunil Mittal	Chairman
Gopal Vittal	MD and CEO (India and South Asia)
Raghunath Mandava	CEO (Africa)
Soumen Ray	Chief Financial Officer
Pankaj Tewari	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	4.26
2	Capital Group Cos Inc	2.79
3	SBI Funds Management Ltd	2.49
4	INDIAN CONTINENT INVEST	2.21
5	ICICI Prudential Asset Management	1.92
6	Vanguard Group Inc/The	1.83
7	Blackrock Inc	1.80
8	HDFC Asset Management Co Ltd	1.34
9	Alphabet Inc	1.25
10	Republic of Singapore	1.24

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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