



## 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	■	↔	■

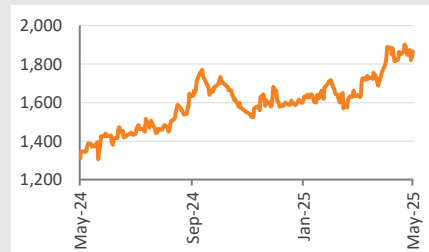
## Company details

Market cap:	Rs. 10,64,526 cr
52-week high/low:	Rs. 1,917 / 1,225
NSE volume: (No of shares)	62.2 lakh
BSE code:	532454
NSE code:	BHARTIARTL
Free float: (No of shares)	273.0 cr

## Shareholding (%)

Promoters	52.4
FII	25.4
DII	19.2
Others	2.9

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	3.8	8.7	20.4	42.3
Relative to Sensex	-3.8	0.0	14.0	29.2

Source: Mirae Asset Sharekhan Research, Bloomberg

## Bharti Airtel Ltd

## Healthy Q4, On a strong footing

Telecom	Sharekhan code: BHARTIARTL		
Reco/View: Buy	↔	CMP: Rs. 1,867	Price Target: Rs. 2,170 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- Consolidated revenue stood at 47,876 crore, up 6.1% q-o-q/ 27.3% y-o-y, nearly in line with our estimates of Rs 47,528 crore.
- Consolidated EBITDA margin stood at 56.4%, up 191 bps q-o-q/491 bps y-o-y, beat our estimates of 55.5%. Reported ARPU for India wireless business stood at Rs.245, flat q-o-q/up 17.2% y-o-y.
- Company has prepaid Rs 42,000 crore of high-cost DoT spectrum debt over two years. FY26 Capex will be lower than FY25 due to a reduced rural rollout and heavy lifting done in previous years.
- We maintain Buy rating with a revised PT of Rs. 2,170. At CMP, the stock trades at 25.7x FY27E EPS and 9.6x FY27E EV/EBITDA.

Consolidated revenue stood at Rs 47,876 crore, up 6.1% q-o-q/ 27.3% y-o-y nearly in line with our estimates of Rs 47,528 crore, driven by strong underlying momentum in India, rebound in reported CC revenue growth in Africa and full quarter impact of Indus Towers consolidation. India business' revenues stood at Rs 36,735 crore, up 6% q-o-q/28.8% y-o-y, backed by improved realizations in mobile segment, strong momentum in Homes business and Indus Towers' consolidation. India mobile services revenues was up 20.6% y-o-y, led by tariff repair, strong smartphone customer additions and premiumization efforts. Consolidated EBITDA margin stood at 56.4%, up 191 bps q-o-q/491 bps y-o-y, beat our estimates of 55.5%. Reported ARPU for India wireless business stood at Rs.245, flat q-o-q/up 17.2% y-o-y which was hit by two fewer days. Adjusted PAT stood at Rs. 5,222 crore, up 11% q-o-q/77% y-o-y. The company has prepaid Rs 42,000 crores of high-cost DoT spectrum debt over two years. The company continues to achieve industry-leading ARPU for India mobile services while traction from adjacent businesses and moderation of capex intensity is likely to further deleverage the balance sheet. We maintain Buy on Bharti Airtel with revised PT of Rs. 2170. At CMP, the stock trades at 25.7x FY27E EPS and 9.6x FY27E EV/EBITDA.

## Key positives

- Africa business's reported revenue stood at \$1,317 million, up 23% y-o-y, in constant currency terms.
- India mobile services revenues rose 20.6% y-o-y.
- Home business revenue was up 5.8% q-o-q/21.3% y-o-y.

## Key negatives

- Airtel business' revenue stood at Rs. 5,315.5 crore, down 5.9% q-o-q/2.7% y-o-y.
- Digital TV revenues stood at Rs. 764 crore, up 0.5%/down 0.6% y-o-y.

## Management Commentary

- Management emphasised focusing on postpaid growth, smartphone upgrades, and international roaming penetration, while noting that rural rollout has boosted market share but asset utilization can be further optimized.
- FY26 capex will be lower than FY25 due to reduced rural rollout and heavy lifting done in previous years.
- ARPU stood at Rs. 245 flat, sequentially hit due to two fewer days in the quarter.
- Airtel Business saw a sequential decline due to its focus on moving away from low-margin businesses.
- Digital TV achieved record high market share despite industry headwinds.
- Company has entered exclusive partnership with Apple TV and Apple Music for Wi-Fi and postpaid customers.
- Company has entered into an agreement with SpaceX for Starlink to enhance connectivity in remote areas.
- Company has prepaid Rs 42,000 crore of high-cost DoT spectrum debt over two years.
- Airtel Finance is growing fast, and its new partnership with Bajaj Finance will further bolster their portfolio
- The management is seeing strong tailwinds in broadband led by growing penetration for smart TVs and changing content consumption habits.

**Revision in earnings estimates** – We have revised our earnings estimates to factor in Q4FY25 performance.

## Our Call

**Valuation – Maintain Buy with a revised PT of Rs. 2,170:** The company has delivered a robust performance in FY25, achieving strong revenue and EBITDA growth despite challenges such as Africa currency devaluation, with a focus on operational excellence and deleveraging, strengthening its balance sheet. The company is making significant strides in mobile, broadband, and digital TV segments, which are expected to be bolstered further by strategic partnerships like Apple TV and Starlink, while continuing to invest in 5G and fibre expansion. The company continues to achieve industry-leading ARPU for India mobile services while traction from adjacent businesses and moderation of capex intensity is likely to further deleverage the balance sheet. We maintain Buy rating on Bharti Airtel with revised price target (PT) of Rs. 2170. At CMP, the stock trades at 25.7x FY27E EPS and 9.6x FY27E EV/EBITDA.

## Key Risks

Increasing competition could keep up the pressure on realisations. A continued decline in data volume growth could affect revenue growth. Any slowdown in Africa operations could affect revenue growth.

## Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	149982.4	172985.2	218154.1	249141.9
OPM (%)	52.2	53.9	54.8	55.3
Adjusted PAT	11256.8	26269.3	31772.2	41785.4
y-o-y growth (%)	24.9	133.4	20.9	31.5
Adjusted EPS (Rs.)	19.5	45.7	55.3	72.8
P/E (x)	95.8	40.8	33.7	25.7
P/B (x)	13.8	9.9	9.4	8.8
EV/EBITDA (x)	17.4	14.2	11.1	9.6
RoNW (%)	9.0	32.0	24.4	31.6
RoCE (%)	12.9	15.2	18.0	20.1

Source: Company; Mirae Asset Sharekhan estimates

## Key result highlights

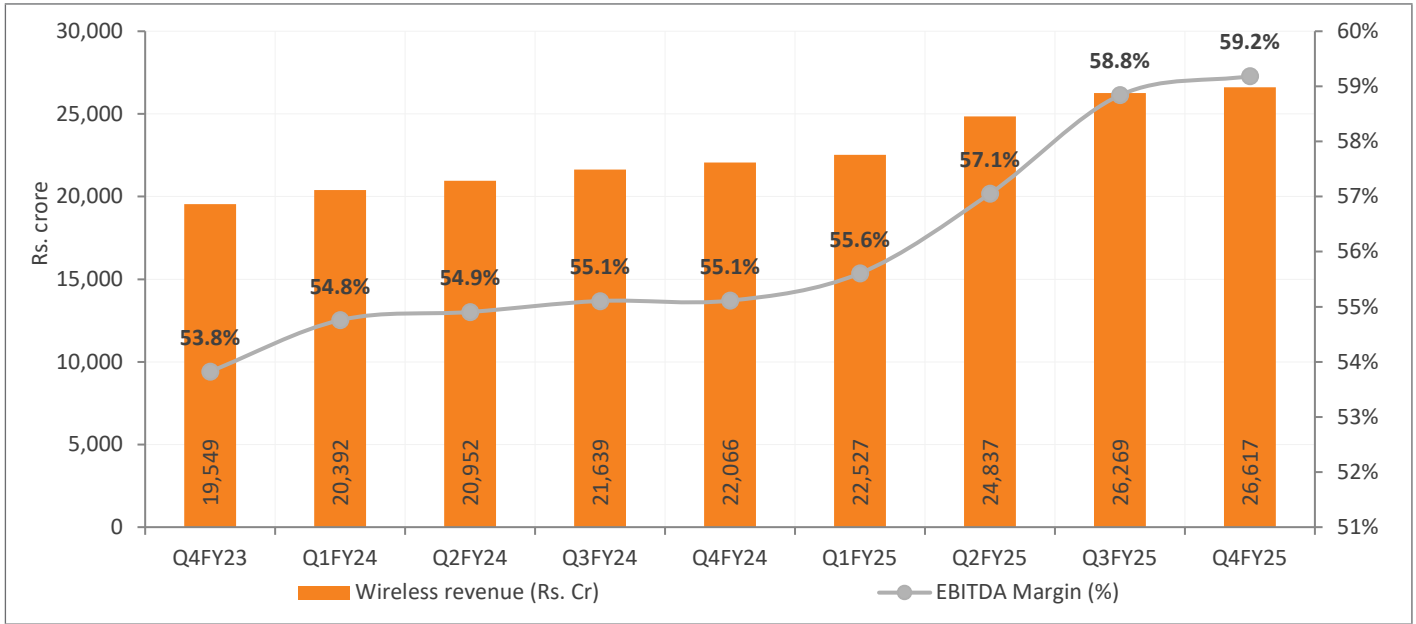
- ◆ **India wireless business:** India mobile services revenue was up 20.6% y-o-y, led by tariff repair, strong smartphone customer additions and premiumisation. India Mobile ARPU rose to Rs. 245, up flat q-o-q/up 17.2% y-o-y. Smart phone data customers were up by 24 million y-o-y/6.6 million q-o-q, forming ~77% of overall mobile customer base. Mobile data consumption was up 21.2% y-o-y, consumption per customer stood at 25.1 GB per month.
- ◆ **Margin:** Consolidated EBITDA margin stood at 56.4%, up 191 bps q-o-q/491 bps y-o-y, slightly beating our estimates of 55.5%. EBITDA stood at Rs. 20,299 crore with margin of 55.3%, up 8.7% y-o-y
- ◆ **Africa business:** The Africa business's reported revenue stood at \$1,317 million, up 23% y-o-y, in constant currency terms. Reported revenue stood at Rs. 10,703.2 crore, up 6.3% q-o-q/22.4% y-o-y. EBITDA margin (in constant currency) stood at 47.5%, up 120 bps y-o-y while EBIT margin stood at 29.9%, down 94 bps y-o-y.
- ◆ **Airtel business:** Revenues stood at Rs. 5,315.5 crore, down 5.9% q-o-q/2.7% y-o-y EBITDA margin improved 393 bps q-o-q to 42.1%.
- ◆ **Home services business:** Homes business maintained its growth momentum with revenue up 5.8% q-o-q/21.3% y-o-y. Net customer additions reached new highs of 2,417,000, led by both FTTH and FWA. However, ARPU was down 2% q-o-q to Rs. 543.
- ◆ **Digital TV:** Revenue stood at Rs. 764 crore, up 0.5%/down 0.6% y-o-y. Digital TV net additions grew 76,000 q-o-q.
- ◆ **FCF and capex:** Operating FCF (EBIDTAal- Capex) stood at Rs. 9,983 crore, up 51% y-o-y. Consolidated capex for the quarter stood at Rs. 14,401 crore, up 10.3% y-o-y, while net debt stood at Rs. 203,838.4 crore, up 4.8% y-o-y.
- ◆ **Bharti Hexacom:** The company reported a revenue of Rs. 2,289 crore, up 1.7% q-o-q/22.5% y-o-y. ARPU stood at Rs. 242 compared to Rs. 204 in Q4FY24. EBITDA stood at Rs. 1,220 crore with EBITDA margin rising 474 bps y-o-y to 53.3%. Net income (after exceptional items) stood at Rs. 468 crore, as compared to Rs. 268 crore y-o-y.

## Results (Consolidated)

Particulars	Q4FY25	Q4FY24	Y-o-Y (%)	Q3FY25	Rs cr
					Q-o-Q (%)
Net Sales	47876	37599	27.3	45129	6.1
License fees & Spectrum charges	3637	3111	16.9	3570	1.9
Employee expenses	1831	1364	34.3	1608	13.9
Access & InterConnection Charges	1478	1850	-20.1	1964	-24.7
Network Operating Expenses	9106	7599	19.8	8627	5.6
Other Expenses	1880	2244	-16.3	1838	2.2
Operating Profit	27009	19365	39.5	24597	9.8
Net Finance Charges (Including Exchange Fluctuation)	5502	5203	5.7	5676	-3.1
Depreciation & Amortisation	12326	10075	22.3	11704	5.3
Tax Expense	-2892	710	-507.4	757	-481.9
Reported Net Income	11022	2072	432.0	14781	-25.4
Adjusted Net Income	5222	2952	76.9	4714	10.8
EPS	9.1	5.0	81.8	8.2	10.8
<b>Margins (%)</b>			<b>BPS</b>		<b>BPS</b>
OPM	56.4	51.5	491.0	54.5	191.0
NPM (Adj)	10.9	7.9	306.0	10.4	46.0
Tax rate	-30.4	36.4	-6680.0	5.0	-3533.0

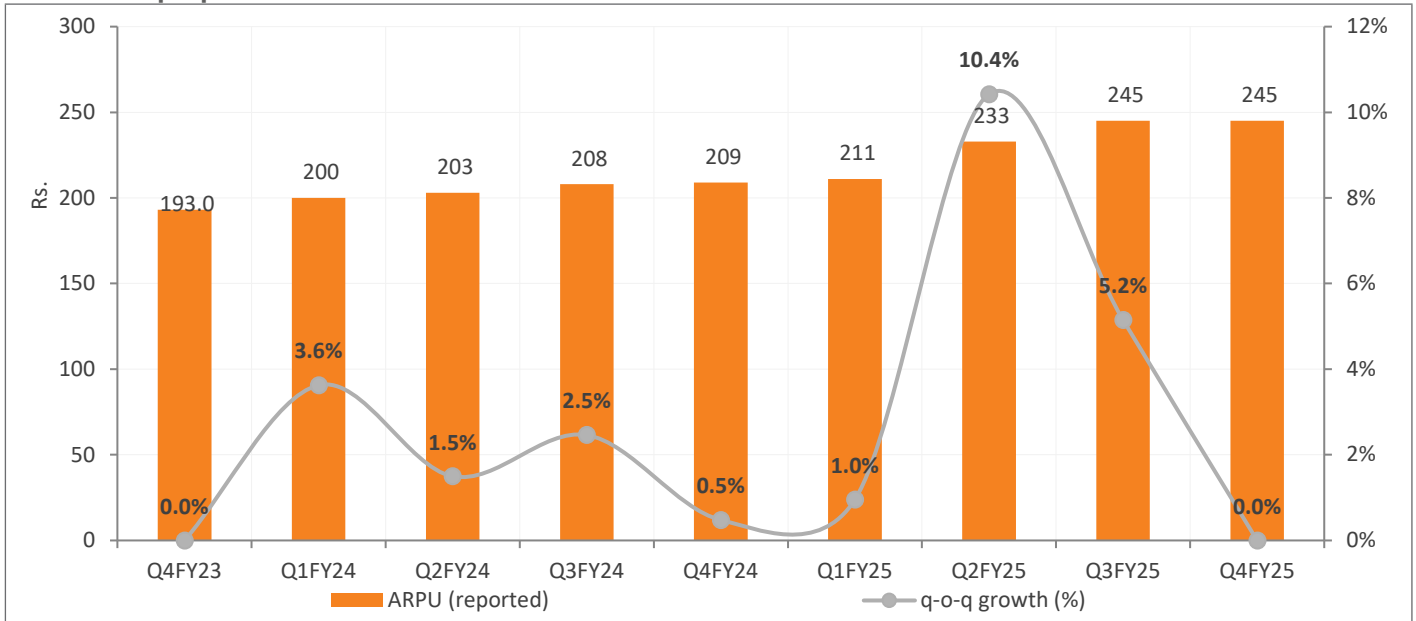
Source: Company; Mirae Asset Sharekhan Research

India wireless revenue trend



Source: Company; Mirae Asset Sharekhan Research

ARPU trend q-o-q



Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector View - 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 Bharti 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 flows 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 a revised PT of Rs. 2,170:

The company has delivered a robust performance in FY25, achieving strong revenue and EBITDA growth despite challenges such as Africa currency devaluation, with a focus on operational excellence and deleveraging, strengthening its balance sheet. The company is making significant strides in mobile, broadband, and digital TV segments, which are expected to be bolstered further by strategic partnerships like Apple TV and Starlink, while continuing to invest in 5G and fibre expansion. The company continues to achieve industry-leading ARPU for India mobile services while traction from adjacent businesses and moderation of capex intensity is likely to further deleverage the balance sheet. We maintain Buy rating on Bharti Airtel with revised price target (PT) of Rs. 2170. At CMP, the stock trades at 25.7x FY27E EPS and 9.6x FY27E EV/EBITDA.

One-year forward EV/EBITDA (x) band



Source: Company; Mirae Asset Sharekhan Research

## About 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

Name	Designation
Sunil Mittal	Chairman
Gopal Vittal	MD and CEO (India and South Asia)
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	4.29
2	Capital Group Cos Inc	2.46
3	SBI Funds Management Ltd	2.39
4	INDIAN CONTINENT INVEST	2.21
5	Vanguard Group Inc	1.87
6	Blackrock Inc	1.80
7	ICICI Prudential Asset Management	1.59
8	Republic of Singapore	1.37
9	HDFC Asset Management Co Ltd	1.32
10	Alphabet Inc	1.25

Source: Bloomberg

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## 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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