MIRAE ASSET Sharekhan

Stock Update

Result Update

Bharti Airtel Ltd

Steady Q1, premiumization and digital expansion drives performance

Telecom		Sharekhan code: BHARTIARTL	
Reco/View: Buy	⇔	CMP: Rs. 1,924 (as on Aug 07, 2025)	Price Target: Rs. 2,200 ↑

Summary

- Consolidated revenue stood at Rs. 49,463 crores, up 3.3% q-o-q/28.5% y-o-y, beating our estimate of Rs. 48,205 crore.
- Consolidated EBITDA margin stood at 56.3%, down 13 bps q-o-q/up 510 bps y-o-y, missing our estimates of 56.7%. Reported ARPU for India wireless business stood at Rs.250, up 2% q-o-q/up 18.5% y-o-y.
- Overall capex to trend lower, with peak radio capex behind.
- We maintain Buy rating with a revised PT of Rs. 2,200. At CMP, the stock trades at 24.6x FY27E EPS and 10.2xFY27E EV/EBITDA.

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		⇔	

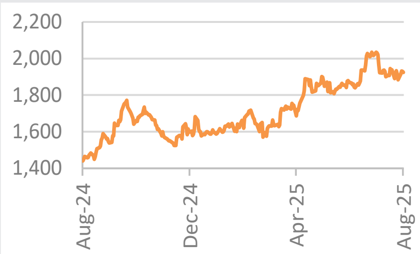
Company details

Market cap:	Rs. 11,55,089 cr
52-week high/low:	Rs. 2,046/1,422
NSE volume: (No of shares)	71 lakh
BSE code:	532454
NSE code:	BHARTIARTL
Free float: (No of shares)	266.4 cr

Shareholding (%)

Promoters	51.3
FII	26.7
DII	19.1
Others	2.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-5.2	2.6	14.8	32.5
Relative to Sensex	-1.5	2.3	11.2	30.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Consolidated revenue stood at Rs 49,463 crore, rising 3.3% q-o-q/ 28.5% y-o-y beating our estimates of Rs 48,205 crore, driven by strong performance in India and rebound in Africa on reported currency. India business revenues stood at Rs 37,585 crore, up 2.3% q-o-q/29% y-o-y, backed by improved realizations in mobile segment, strong momentum in the Homes business. India mobile services revenues rose 21.6% y-o-y driven by ARPU improvement and continued strong additions of smartphone customers. Consolidated EBITDA margin stood at 56.3%, down 13 bps q-o-q/up 510 bps y-o-y, missing our estimates of 56.7%. Reported ARPU for India wireless business stood at Rs.250, up 2% q-o-q/up 18.5% y-o-y. Adjusted PAT stood at Rs. 5,948 crore, up 14% q-o-q/103% y-o-y but missed our estimates of Rs 6,732 crores. ARPU growth continues to be driven primarily by premiumisation, postpaid upgrades, international roaming penetration and new value-add bundles. We maintain Buy rating with a revised price target (PT) of Rs. 2,200 given steady ARPU expansion, strong traction in home broadband business, ongoing deleveraging, strong free cash flow generation and prudent capital allocation. At CMP, the stock trades at 24.6x FY27E EPS and 10.2x FY27E EV/EBITDA.

Key positives

- Africa business's reported revenue stood at $1,415 million, up 24.9% y-o-y, in constant currency terms.
- India mobile services revenue was up 21.6% y-o-y.
- ARPU improved to Rs 250, up 2% q-o-q/18.5% y-o-y.

Key negatives

- Airtel business revenue stood at Rs. 5,057.1 crore, down 7.7% y-o-y
- Digital TV Revenue stood at Rs. 763 crore, down 1.8% y-o-y.

Management Commentary

- ARPU growth is driven primarily by premiumisation, postpaid upgrades, international roaming penetration, and new value-add bundles.
- Focused on improving customer experience through bundled content which includes partnerships with Google for cloud storage and with OTT platforms.
- B2B revenue fell due to the pruning of low-margin commoditized business, but the underlying portfolio remains strong, with sequential growth in core connectivity, IoT, and security.
- Broadband is seeing strong growth momentum, with FWA expanding their addressable market.
- Ongoing investments in digital platforms, platform-based services, and pan-India fiber buildout to future-proof the network and tap large B2B opportunities.
- Prioritizing deleveraging, higher shareholder payouts and targeted M&A in adjacencies, along with focus on prudent capital allocation.
- Overall capex is expected to trend lower, with peak radio capex behind. Company focused on modular expansions in cloud, digital, and fiber.

Revision in earnings estimates – We have revised our earnings estimates to factor in Q1FY26 performance.

Our Call

Valuation – Maintain Buy with revised PT of Rs. 2,200: Bharti Airtel reported steady quarter led by strong India and Africa operations and a disciplined strategy to exit low-margin B2B business. Core growth levers such as premiumisation, home broadband, new-age B2B, and Africa remain robust. We maintain BUY on Bharti Airtel with revised price target (PT) of Rs. 2,200 given steady ARPU expansion, strong traction in home broadband business, ongoing deleveraging, strong free cash flow generation and prudent capital allocation. At CMP, the stock trades at 24.6x FY27E EPS and 10.2x FY27E EV/EBITDA.

Key Risks

Increasing 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) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	149982.4	172985.2	211896.9	240857.9
OPM (%)	52.2	53.9	55.2	55.4
Adjusted PAT	11256.8	26269.3	32319.4	44944.5
y-o-y growth (%)	24.9	133.4	23.0	39.1
Adjusted EPS (Rs.)	19.5	45.7	56.3	78.3
P/E (x)	98.8	42.1	34.2	24.6
P/B (x)	14.3	10.3	9.9	9.2
EV/EBITDA (x)	18.0	14.7	11.7	10.2
RoNW (%)	9.0	32.0	25.2	34.3
RoCE (%)	12.9	15.2	18.0	20.4

Source: Company; Mirae Asset Sharekhan estimates

Key result highlights

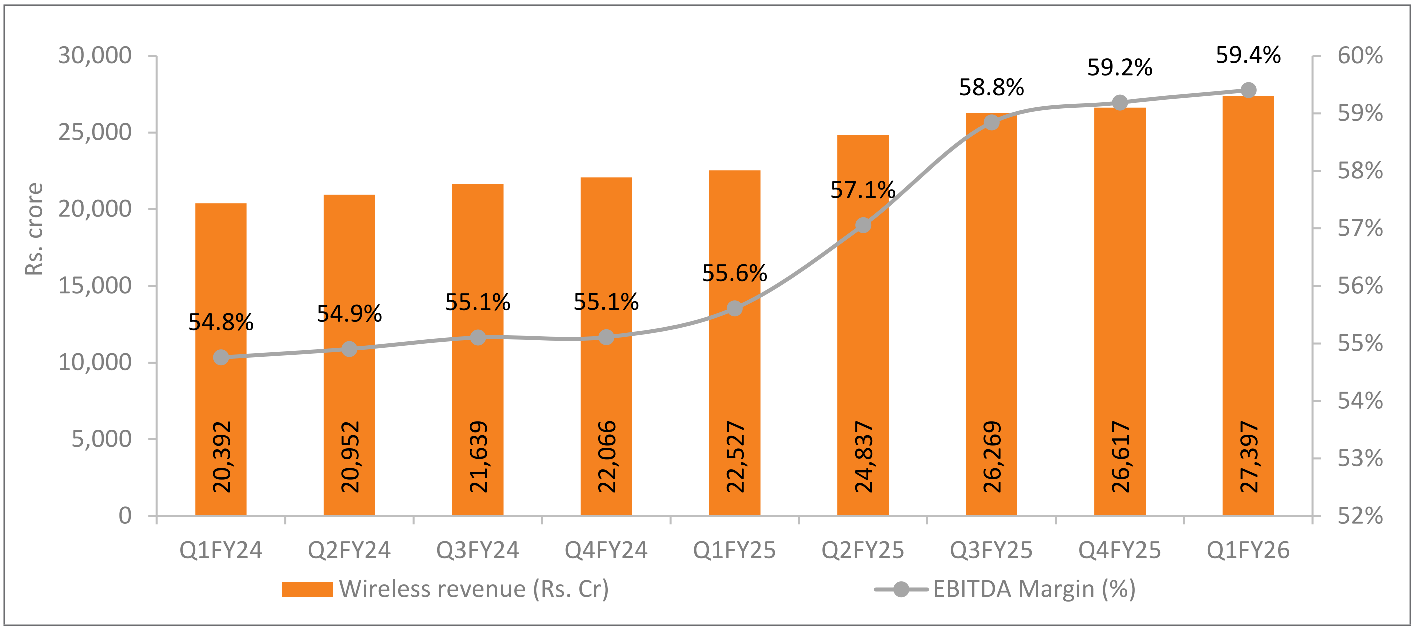
- **India wireless business:** India mobile services revenue was 21.6 %. Reported ARPU for India wireless business stood at Rs.250, up 2% q-o-q/up 18.5% y-o-y. Smart phone data customers were up 21.3 million y-o-y/3.9 million q-o-q, forming ~77% of the overall mobile customer base. Mobile data consumption was up 21.6% y-o-y, consumption per customer stood at 26.9 GB per month.
- **Margin:** Consolidated EBITDA margin stood at 56.3%, down 13 bps q-o-q/up 510 bps y-o-y, missing our estimates of 56.7%. Consolidated EBITDAal stood at Rs. 24,994 crore with EBITDAal margin of 50.5%.
- **Africa business:** The Africa business's reported revenue stood at $1,415 million, up 7.4% q-o-q/22.4% y-o-y, in CC terms. Reported revenue stood at Rs. 12,083 crore, up 25.4% y-o-y. EBITDA margin (in CC terms) stood at 48.1%, up 292 bps y-o-y.
- **Airtel business:** Revenue stood at Rs. 5,057.1 crore, down 7.7% y-o-y EBITDA margin improved ~630 bps q-o-q to 42.6%. Revenue contraction due to pruning low margin business, but underlying growth in IoT, Cloud and cybersecurity.
- **Homes services business:** Homes business maintained its growth momentum with revenue up 7.6% q-o-q/25 % y-o-y. Net customer additions stood at 9,39,000. However, ARPU was down 1.1.% q-o-q to Rs. 537. Google One partnership and new OTT/content packs driving value-added uptake.
- **Digital TV:** Revenue stood at Rs. 763 crores, down 1.8% y-o-y. Digital TV net additions fell 204,000 q-o-q.
- **FCF and capex:** Operating FCF (EBITDAal- capex) stood at Rs. 16,687.5 crore, up 58% y-o-y. Consolidated capex for the quarter stood at Rs. 8,307 crore, down 14.6% y-o-y, while net debt stood at Rs. 191,579.4 crore, up 2.1% y-o-y.
- **Bharti Hexacom:** The company reported revenue of Rs. 2,263 crore, up 18.4% y-o-y. ARPU stood at Rs. 246 compared to Rs. 205 in Q1FY25. EBITDA stood at Rs. 1,227 crore with EBITDA margin rising 606 bps y-o-y to 53.8%. Net income (after exceptional items) stood at Rs. 392 crore, compared to Rs. 511 crore y-o-y.

Results (Consolidated) Rs cr

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	49463	38506	28.5	47876	3.3
License fees & Spectrum charges	3720	3156	17.9	3637	2.3
Employee expenses	1738	1373	26.6	1831	-5.1
Access & InterConnection Charges	1257	1908	-34.1	1478	-15.0
Network Operating Expenses	9546	7761	23.0	9106	4.8
Other Expenses	2397	1885	27.2	1880	27.5
Operating Profit	27839	19708	41.3	27009	3.1
Net Finance Charges (Including Exchange Fluctuation)	5461	5152	6.0	5502	-0.8
Depreciation & Amortisation	12465	10540	18.3	12326	1.1
Tax Expense	3083	1308	135.7	-2892	-206.6
Reported Net Income	5948	4160	43.0	11022	-46.0
Adjusted Net Income	5948	2925	103.3	5222	13.9
EPS	10.4	5.1	103.3	9.1	13.9
Margins (%)			**Bps**		**Bps**
OPM	56.3	51.2	510.0	56.4	-13.0
NPM (Adj)	12.0	7.6	443.0	10.9	112.0

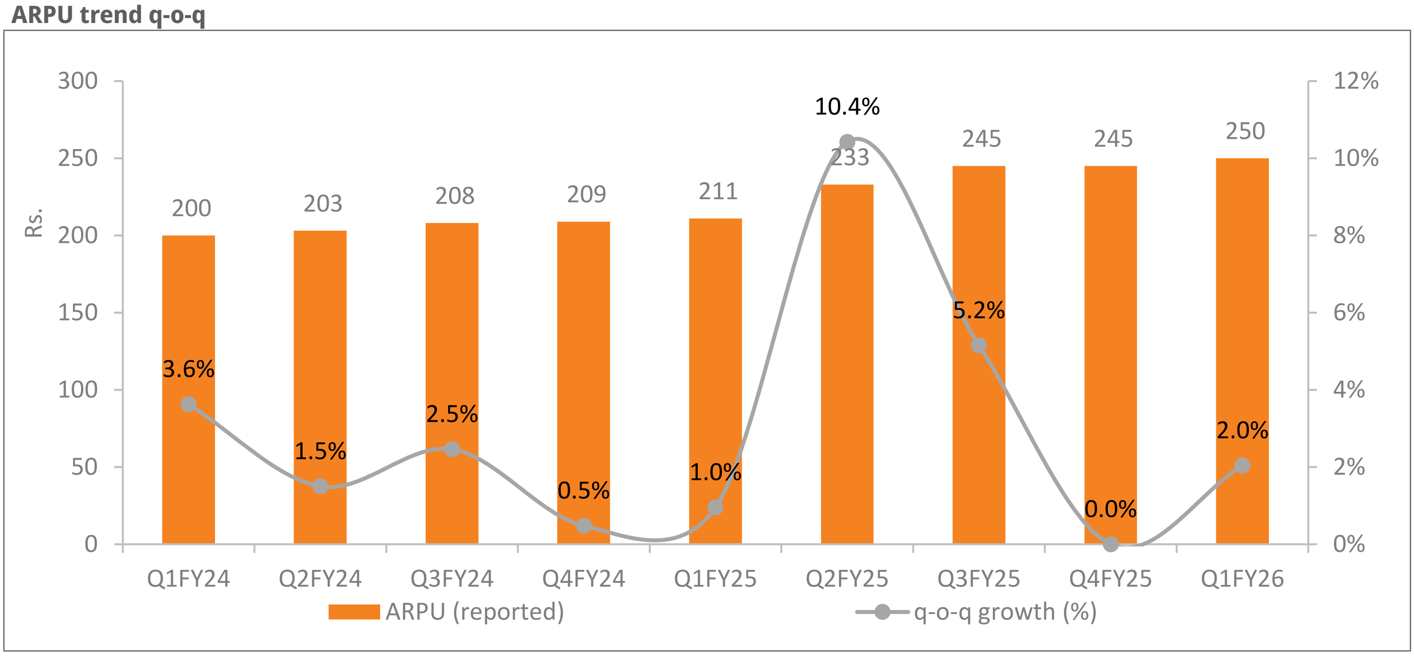
Source: Company; Mirae Asset Sharekhan Research

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 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.

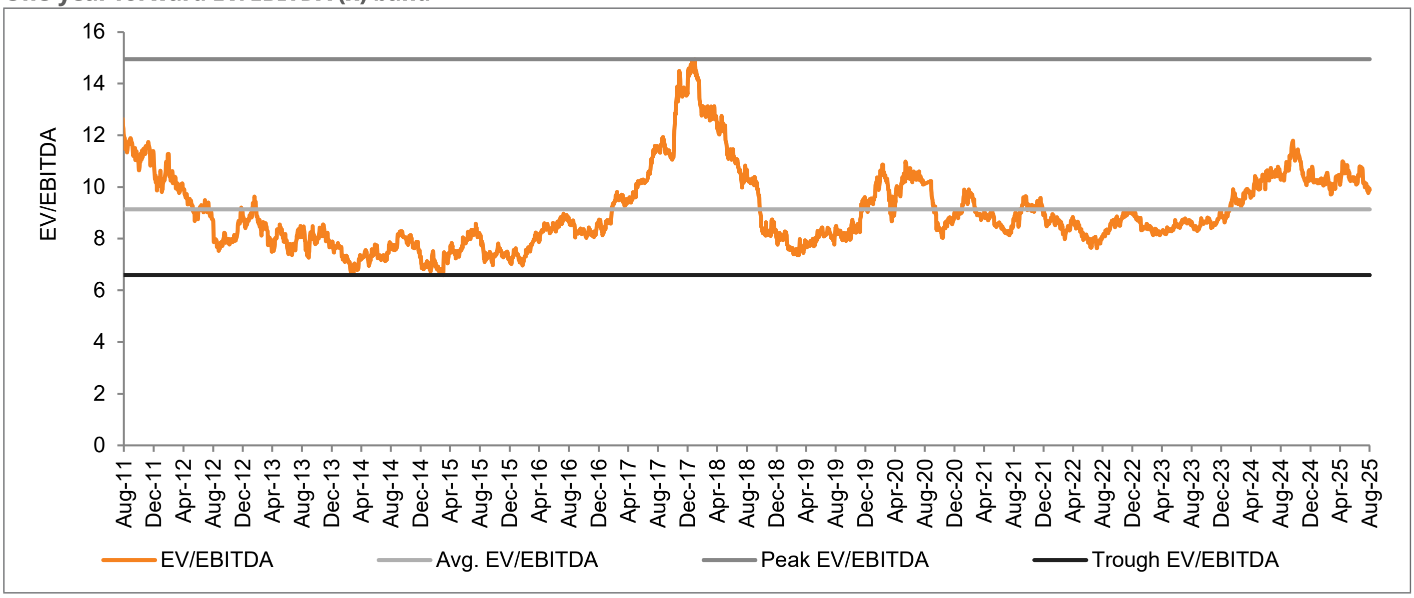
■ Company Outlook – Better positioned to gain market share

Though 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 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 a revised PT of Rs. 2,200

Bharti Airtel reported steady quarter led by strong India and Africa operations and a disciplined strategy to exit low-margin B2B business. Core growth levers such as premiumisation, home broadband, new-age B2B, and Africa remain robust. We maintain BUY on Bharti Airtel with revised price target (PT) of Rs. 2,200 given steady ARPU expansion, strong traction in home broadband business, ongoing deleveraging, strong free cash flow generation and prudent capital allocation. At CMP, the stock trades at 24.6x FY27E EPS and 10.2x 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	LICI NEW PENSION PLUS BALANCED F	4.05
2	SBI Funds Management Ltd	2.38
3	INDIAN CONTINENT INVEST	2.21
4	Capital Group Cos Inc/The	2.20
5	Vanguard Group Inc/The	2.00
6	Blackrock Inc	1.86
7	ICICI Prudential Asset Management	1.60
8	Republic of Singapore	1.43
9	HDFC Asset Management Co Ltd	1.37
10	NPS Trust A/c Uti Retirement Solut	1.30

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 detoriating 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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