

BUY

CMP (Rs)	890
Target Price (Rs)	1,010
Potential Upside	13.5%
Sensex	65,721
Nifty	19,517

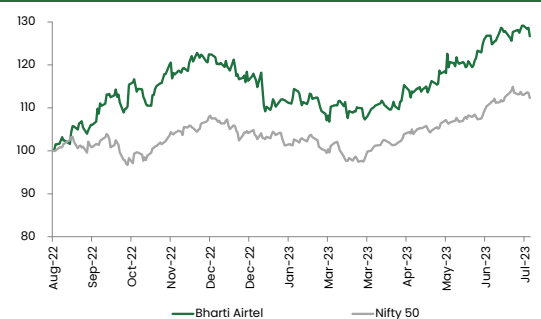
Key Stock data

BSE Code	532500
NSE Code	BHARTIARTL
Bloomberg	BHARTI:INN
Shares o/s, Cr (FV 5)	595.7
Market Cap (Rs Cr)	529,939
3M Avg Volume	5,854,870
52 week H/L	901/681

Shareholding Pattern

(%)	Dec-22	Mar-23	Jun-23
Promoter	55.1	55.0	54.9
FII	21.7	21.0	21.5
DII	19.2	19.9	19.7
Others	4.0	4.1	3.9

1 Year relative price performance



1 year EV/EBITDA Forward (x)



Research Analyst

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ARPU at Rs 200 despite absence of tariff hikes, Maintain Buy!

Q1FY24 Result Update | Sector: Telecom | August 07, 2023

Healthy revenue growth: Bharti Airtel revenue from operations was in line with our expectations at Rs 37,440 Cr, up by 14.1% YoY/4% QoQ driven by healthy addition of ~10 Mn customer in overall business mainly in the India and South Asian markets. Amongst segments, its Mobiles services India reported a growth of 11.9% YoY/4.3% QoQ to Rs 20,392 Cr, followed by Mobile services Africa which was up by 16.6% YoY/2.6% QoQ to Rs 11,317 Cr while other segments too reported healthy growth.

Cost cutting initiatives aid margins expansion: EBITDA for the quarter came in at Rs 19,599 Cr, up by 18.6% YoY and 4.8% QoQ. Consequently, it reported highest ever EBITDA margin for consecutive quarter at 52.3% which saw an expansion of 196bps YoY/42bps QoQ. Despite the 5G rollouts the expansion of EBITDA and margin was aided by optimization of costs while healthy addition of customers and war on waste programs also resulted in better operating efficiency.

Upgrade to 4G/5G aid ARPU expansion: Its participation of data customers as a proportion of its Mobile services has grown by ~520bps YoY/100bps QoQ to 70.4% as a result of 2G to 4G/5G upgrades. Besides, it also added ~3.2 Mn users in its Indian business units coupled with reshuffling of entry level plans in the preceding quarters aided ARPU expansion by 9.3% YoY/3.6% QoQ to Rs 200.

Strong opportunity on Postpaid: As of now its postpaid user base stands at ~6% of its total subscriber base. Management believes there remains a huge opportunity in the postpaid space as they attract higher ARPU as compared to prepaid ARPU. Its nuclear family plans have been very well accepted by customers resulting in 1.8x ARPU against the prepaid ARPU. Going ahead, it will be aiming at increasing the participation of postpaid customers and implementing new and better nuclear plans which would eventually aid in ARPU expansion.

5G Outlook: The 5G penetration in the Indian markets is still at a nascent stage due to slower transition of customers from their current smartphones to 5G enabled smartphones. As per the company, of the overall smartphones shipment 48% account for 5G smartphones indicating that there is still ample time for the industry to witness full 5G transition and up-gradation. Consequently, it is in the process to complete its 5G rollouts by the end of FY24.

Concall & other key highlights: 1) With lower penetration of 5G smartphones and low adoption of new tariff plans, management has kept same pricings for its 4G and 5G tariffs. 2) The company is planning to expand its penetration in the rural areas ~60k villages, which will also prove to be a next leg of growth where it will compete with its nearest competitor. 3) Management indicated the capex for Indian business unit would be ~32,000 Cr towards 5G infrastructure while for Africa it would ~USD 700-800 Mn. 4) Management indicated expansion of margin and ARPU would be at a slow pace in the absence of Tariff hikes.

Outlook & Valuations: Bharti has industry leading ARPU of Rs 200 with high sticky customer base with a wireless market share of ~32.4%. Going ahead, it will focus on implementing its 5G infrastructure across India while also target nearly 60k villages and postpaid additions which will prove to be the next growth leg for the company. Besides, its non-core segments Airtel Business, Home Services and Digital services all have been delivering stable growth. Financially, we have estimated its Revenue/EBITDA/PAT to grow at 16.5%/18.7%/38.6% CAGR over FY23-25E and have maintained a Buy rating with a target price of Rs 1,010.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	116,547	139,145	160,017	188,819
EBITDA	57,534	71,274	83,609	100,358
EBITDAM (%)	49.4	51.2	52.3	53.2
PAT	4,255	8,264	10,549	15,864
PATM (%)	3.6	5.9	6.6	8.4
EPS (Rs)	7.6	14.6	18.6	28.0
EV/EBITDA (x)	11.4	10.1	8.8	7.4
PE (x)	117.1	61.1	47.8	31.8
RoE (%)	6.8	11.5	13.0	17.3

Source : RBL Research

Stable revenue growth of 14.1% YoY and 4% sequentially

Margin expansion on the back of cost optimizations

PAT growth impacted due to one off exceptional item

Mobile Service India leading the growth with 54.5% contribution

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Net sales	37,440	32,805	14.1	36,009	4.0
Network operating expenses	7,404	6,683	10.8	7,402	0.0
Access charges	1,997	1,870	6.8	1,885	6.0
License fee / Spectrum charges	2,940	3,131	(6.1)	2,828	4.0
Personnel costs	1,257	1,124	11.9	1,263	(0.5)
Sales & Marketing expense	2,060	1,567	31.4	1,984	3.8
Other overheads	2,184	1,902	14.8	1,950	12.0
EBITDA	19,599	16,529	18.6	18,697	4.8
EBITDA Margin (%)	52.3	50.4	196 bps	51.9	42 bps
Depreciation	9,654	8,781	9.9	9,406	2.6
Interest	5,614	4,511	24.4	5,163	8.7
Other income	348	192	81.2	285	22.3
EO gains / (loss)	(3,416)	-	-	-	-
PBT	1,263	3,429	(63.2)	4,413	(71.4)
Tax	333	1,123	(70.4)	788	(57.8)
Effective tax rate (%)	26.3	32.8	-641 bps	17.9	849 bps
Minority Interest & Share of profit / (loss) from associates	(682.2)	699.1	(197.6)	619.4	(210.1)
Reported PAT	1,613	1,607	0.3	3,006	(46.4)
PAT margin (%)	4.3	4.9	-59 bps	8.3	-404 bps

Source : RBL Research

Revenue Break Up	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Mobile Services India	20,392	18,220	11.9	19,549	4.3
Mobile Service Africa	11,317	9,702	16.6	11,032	2.6
Mobile Service S.A	93	67	40.0	81	15.9
Airtel Business	5,055	4,366	15.8	4,785	5.6
Homes Service	1,162	927	25.4	1,097	6.0
Digital TV Services	740	748	(1.1)	729	1.6
Others	30	9	233.3	30	-
Total	38,790	34,038	14.0	37,302	4.0
Less: Inter Segmental	1,350	1,234	9.4	1,293	4.4
Total Revenue	37,440	32,805	14.1	36,009	4.0

Source : RBL Research

Strong growth in consolidated EBIT, up by 32.6% YoY and 6.5% QoQ

EBIT Break Up	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Mobile Services India	4,519	3,133	44.3	4,082	10.7
Mobile Service Africa	3,794	3,298	15.0	3,599	5.4
Mobile Service S.A	(48)	(40)	21.4	(49)	(0.4)
Airtel Business	1,477	1,219	21.2	1,477	0.0
Tower Infrastructure	592	162	264.4	617	(4.0)
Homes Service	284	176	61.2	268	5.7
Digital TV Services	102	148	(31.2)	71	44.0
Others	3	(10)	(125.5)	4	(31.6)
Total EBIT	10,722	8,086	32.6	10,068	6.5

Source : RBL Research

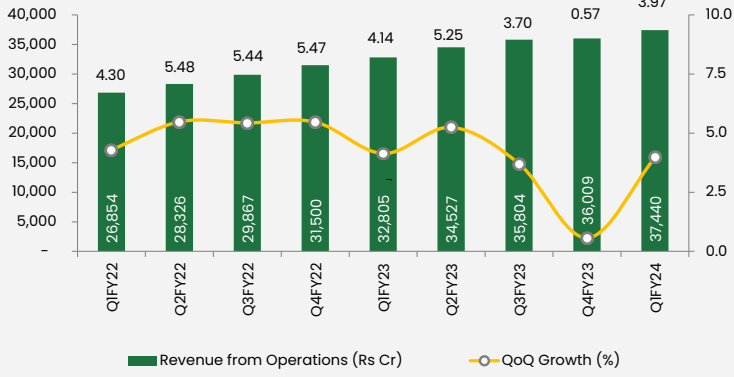
Highest ARPUs at Rs 200 while churn rate remained stable at 2.8%

India Wireless KPIs	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Wireless Traffic (b min)	1,149	1,079	6.5	1,124	2.2
Total Subscribers (mn)	383	361	6.1	375	2.0
Data Subscribers (mn)	238	213	11.7	233	2.4
4G Subscribers	230	205	11.9	224	2.5
ARPU (INR)	200	183	9.3	193	3.6
MOU (min)	1,138	1,104	3.1	1,122	1.4
Data Traffic (b mb)	14,915	12,561	18.7	14,248	4.7
Data Usage per Subscriber (MB)	21,100	19,930	5.9	20,762	1.6
Monthly Churn (%)	2.8%	3.0%	-20 bps	2.8%	0 bps

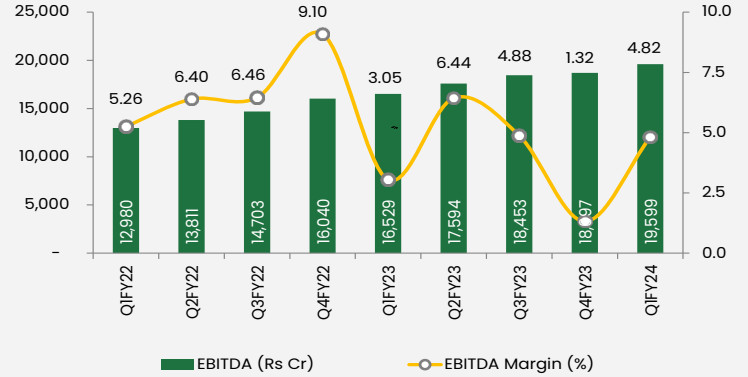
Source : RBL Research

Story in charts

Stable revenue growth

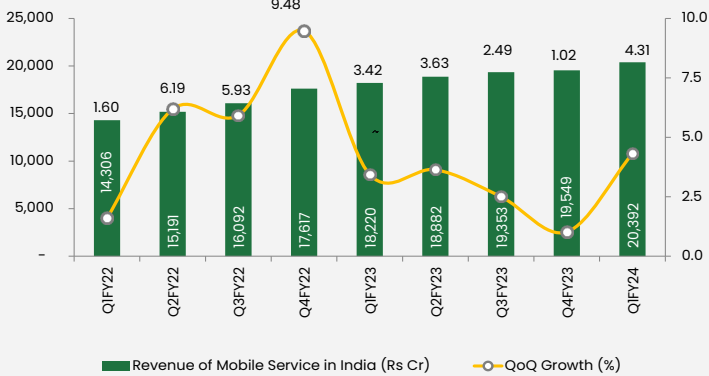


Cost optimization aids in EBITDA and margin expansion

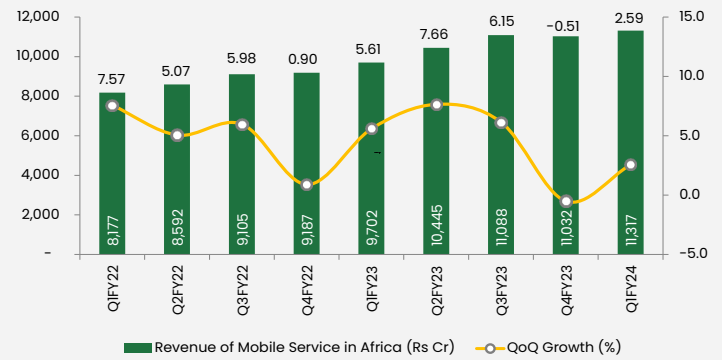


Source : RBL Research

Industry leading ARPU aid revenue growth

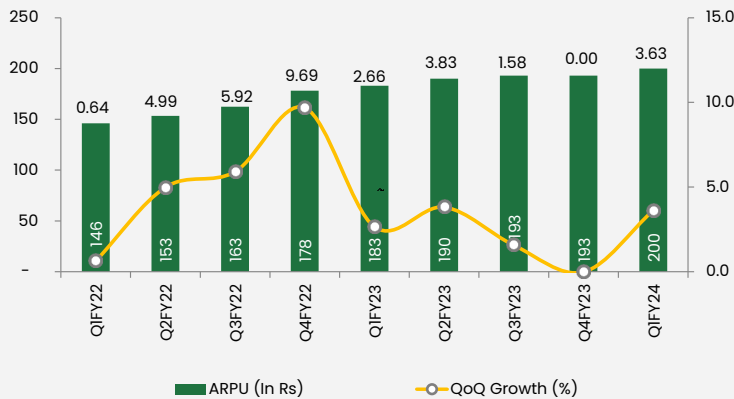


Subdued revenue growth

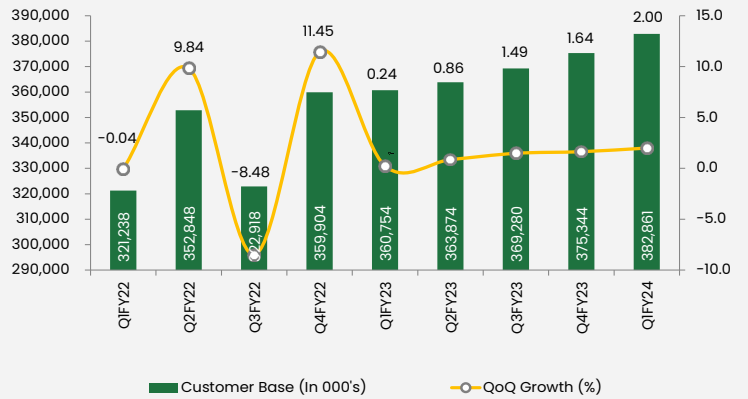


Source : RBL Research

Maintains industry leading ARPUs

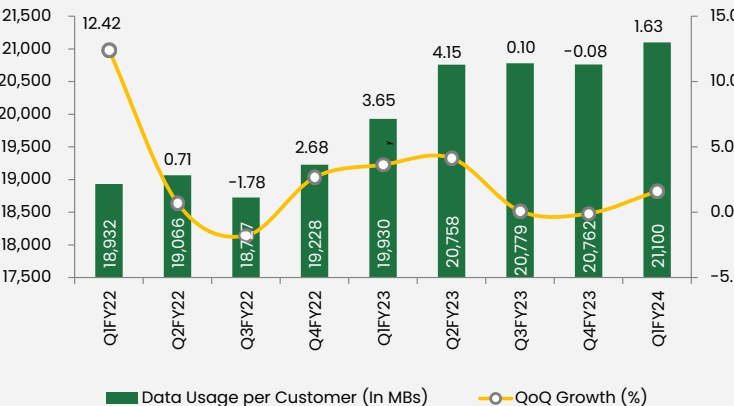


Moderation in addition to Customer base

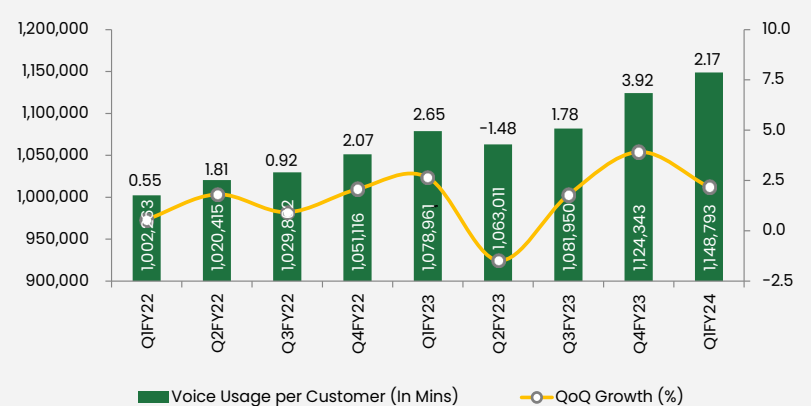


Source : RBL Research

Consistent rise in data usage



Trend of Voice usage



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	116,547	139,145	160,017	188,819
Expenditure				
Network Operating Expense	25,021	28,543	32,403	37,764
Access Charges	6,761	7,621	9,201	9,630
License fees / spectrum charges	11,064	11,752	14,001	15,861
Employee Costs	4,433	4,831	6,401	7,553
Sales & marketing expense	5,304	7,245	5,601	6,986
Other Overheads	6,431	7,879	8,801	10,668
Total Expenditure	59,013	67,871	76,408	88,462
EBITDA	57,534	71,274	83,609	100,358
EBITDAM (%)	49.4	51.2	52.3	53.2
Other income	534	937	1,124	1,326
Depreciation	33,091	36,432	39,711	47,205
PBIT	24,978	35,778	45,022	54,479
Interest expenses	16,616	19,300	20,265	21,278
Share of Profit from Associates	2,423	752		
PBT (before exceptional income / (loss))	10,785	17,231	24,757	33,201
Extraordinary income / (loss) (net of tax)	1,699	(670)	-	-
PBT	12,483	16,561	24,757	33,201
Tax	4,178	4,273	9,408	12,616
PAT	8,305	12,287	15,349	20,584
Minority Interest	4,050	3,942	4,800	4,720
Reported PAT	4,255	8,346	10,549	15,864
Adjusted PAT	2,556	9,016	10,549	15,864

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	2,795.0	2,836.6	2,836.6	2,836.6
Reserves & Surplus	63,759	74,726	82,439	94,899
Total Shareholder's Fund	66,554	77,563	85,275	97,735
Minority interest	25,381	28,881	30,381	31,881
Non-Current Liabilities				
Total debt	169,678	226,020	241,020	253,020
Other long term liabilities	12,191	13,276	14,776	15,776
Deferred tax liabilities	2,449	2,076	2,206	2,206
Long term provision	464	474	474	774
Current Liabilities				
Trade payables	29,274	32,895	32,003	30,211
Short term provisions	24,345	25,729	26,129	26,129
Other current liabilities	33,320	39,718	40,004	34,932
Total liabilities	363,656	446,633	472,270	492,666
Fixed Assets	90,573	95,224	108,014	105,809
Current work in process	5,955	49,425	49,157	48,889
Intangible assets	121,282	127,523	130,023	133,023
Non current investment	29,349	32,954	34,650	39,107
Other non-current assets	45,406	69,758	69,758	69,758
Deferred Tax Assets	19,925	18,952	18,952	18,952
Current Assets				
Current investments	861	4,705	6,401	10,857
Inventories	375	258	296	350
Trade receivables	4,056	3,982	4,579	5,403
Cash & Cash equivalents	13,494	13,418	13,637	14,730
Other current assets	33,241	35,139	43,204	56,646
Total assets	363,656	446,633	472,270	492,666

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Reported PBT	10,060	15,809	24,757	33,201
Depreciation	33,091	36,432	39,711	47,205
Tax paid	(4,178)	(4,273)	(9,408)	(12,616)
Working capital Change	1,956	9,696	(8,906)	(21,184)
Operating Cash Flow (a)	40,929	57,663	46,154	46,606
Capex	(50,506)	(90,795)	(54,732)	(47,732)
Free Cash Flow	(9,578)	(33,131)	(8,578)	(1,126)
Investments	117	(27,957)	(1,696)	(4,456)
Investing Cash Flow (b)	(50,389)	(118,751)	(56,428)	(52,188)
Debt Issuance/ (Repaid)	6,893	56,342	15,000	12,000
Dividend Paid	(1,677)	(2,269)	(2,837)	(3,404)
Share Capital Issuance, QIP	7,447	5,684	(0)	-
Others	(3,175)	1,256	(1,670)	(1,920)
Financing Cash Flow (c)	9,488	61,013	10,493	6,676
Net Cash Flow (a + b + c)	27	(75)	219	1,093
Closing Cash	13,494	13,418	13,637	14,730

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per Share Ratios				
EPS (Rs)	0.2	14.6	18.6	28.0
Book value per share (Rs)	119.1	136.7	150.3	172.3
Profitability Ratios				
EBITDA Margin (%)	49.4	51.2	52.3	53.2
PBT Margin (%)	10.7	11.9	15.5	17.6
Net Profit Margin (%)	1.6	5.5	6.6	8.4
RoCE (%)	6.9	7.5	8.3	9.3
RoE (%)	0.2	11.5	13.0	17.3
Efficiency				
Fixed Asset Turnover (x)	1.2	1.2	1.1	1.2
Debtor (Days)	13	10	10	10
Interest Cover Ratio (x)	1.5	1.8	2.2	2.5
Debt-Equity Ratio (x)	2.5	2.9	2.8	2.6
Valuation Ratios				
P/E (x)	3736.4	61.1	47.8	31.8
P/B (x)	7.5	6.5	5.9	5.2
EV/EBIDTA (x)	11.4	10.1	8.8	7.4

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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