

BUY **Bharti Airtel****ARPU improvement to continue**Telecommunications ▶ Result Update ▶ **November 2, 2023****TARGET PRICE (Rs): 1,050**

Bharti Airtel (Airtel) reported steady operating performance for the India business, though consol. numbers were impacted by devaluation of the Nigerian currency. India Wireless revenue increased 2.7% QoQ, with margin up by 14bps QoQ to 54.9%. Revenue growth was led by strong 4G subscriber adds (7.7mn vs 5.6mn in Q1) and postpaid customer adds of 1mn (vs. 0.8mn in Q1). ARPU is up 1.5% QoQ to Rs203. Airtel is likely to benefit from the: i) subscriber gain from Vi, with launch of 5G; ii) mix change, even without a tariff hike, as it can move users from 2G to 4G/5G; iii) historically higher pass-through of the increase in revenue to EBITDA. We cut FY25E/FY26E EBITDA 4%/1.5%, as we adjust for the Airtel Africa and Enterprise segment numbers. We raise our TP to Rs1,050/sh from Rs1,000/sh, as we roll it forward by a quarter; retain BUY.

Bharti Airtel: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	11,65,469	13,91,448	14,98,826	16,57,269	18,99,435
EBITDA	5,75,339	7,12,735	7,88,680	8,94,405	10,63,894
Adj. PAT	25,563	90,157	1,34,129	1,75,576	3,06,619
Adj. EPS (Rs)	7.1	14.0	14.1	29.4	51.4
EBITDA margin (%)	49.4	51.2	52.6	54.0	56.0
EBITDA growth (%)	26.8	23.9	10.7	13.4	18.9
Adj. EPS growth (%)	0.0	96.1	1.0	108.4	74.6
RoE (%)	2.7	8.7	11.0	12.8	19.8
RoIC (%)	5.1	10.0	9.9	12.3	18.5
P/E (x)	213.1	60.4	40.6	31.0	17.8
EV/EBITDA (x)	12.2	10.6	9.2	7.8	6.1
P/B (x)	5.7	4.9	4.2	3.8	3.3
FCFF yield (%)	(1.7)	2.4	1.5	5.3	8.0

Source: Company, Emkay Research

Q2: Robust 4G-data and postpaid customer addition; ARPU up 1.5%QoQ

Though Q2 consol. revenue (-1.1% QoQ) was impacted by Airtel Africa revenue reduction on currency devaluation (-9% QoQ), the India business delivered in-line performance. Key positives for Q2 were: i) strong 4G subscriber adds (7.7mn vs 5.6mn in Q1); ii) highest-ever postpaid net-adds of 1mn (vs. 0.8mn in Q1); iii) subscriber addition of 3.7mn (vs. 3.1mn in Q1); iv) Homes registering the highest-ever customer net additions in Q2 at 471K (413k in Q1); v) Mobile Broadband Base station additions in Q2 were 23.4k vs. 20.3k in Q1; and vi) marketing expenses/access charges declining 7% QoQ/9% QoQ. Key negatives in Q2: i) India enterprise revenue growth moderating to +1.1% QoQ (+6% QoQ in Q1); ii) Airtel Africa revenue down 9% QoQ; iii) DTH customer count declining by 169k QoQ in Q2.

Bharti Airtel wields levers to improve ARPU, even without a tariff hike

Bharti Airtel has levers to improve ARPU even without a tariff hike which include: i) prepaid feature phone to smartphone conversion that now implies a ~35% jump in ARPU; ii) prepaid to postpaid conversion leading to increase in ARPU; iii) data monetization, with impulse buying of data allowance; and iv) one price-plan for international roaming, with focus on prepaid. Such measures are likely to help India mobile ARPU increase to Rs216 by Q2FY25E. We expect a tariff hike only by mid-FY25E.

Outlook: Mix change, Home Broadband, Enterprise to aid growth

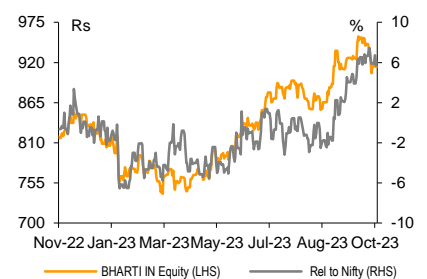
We see Airtel benefitting from the mix change, even without any tariff hike. Moreover, Airtel has prepaid its spectrum dues till FY26, besides having cash & cash equivalent of Rs43.7bn as of end-Q2FY24 and pending calls on rights issue of ~Rs156bn; this give us comfort on cash-flow. We also like the company's high pass-through of revenue to EBITDA. Airtel's Enterprise and Home Broadband segments grant the company added growth levers. We cut EBITDA by 4%/1.5% for FY25E/FY26E, as we adjust for Airtel Africa and Enterprise segment numbers. We raise our TP to Rs1,050/sh (9x Sep-25E EV/EBITDA) from Rs1,000/sh, as we roll it forward by a quarter; retain BUY.

Target Price – 12M	Sep-24
Change in TP (%)	5.0
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	15.0
CMP (01-Nov-23) (Rs)	913.0

Stock Data	Ticker
52-week High (Rs)	961
52-week Low (Rs)	736
Shares outstanding (mn)	5,617.4
Market-cap (Rs bn)	5,338
Market-cap (USD mn)	64,085
Net-debt, FY24E (Rs mn)	18,35,353
ADTV-3M (mn shares)	5
ADTV-3M (Rs mn)	4,636.9
ADTV-3M (USD mn)	55.7
Free float (%)	-
Nifty-50	18,989
INR/USD	83.3
Shareholding, Sep-23	
Promoters (%)	54.8
FPIs/MFs (%)	21.9/19.8

Price Performance

(%)	1M	3M	12M
Absolute	(1.4)	2.4	9.3
Rel. to Nifty	1.9	6.4	4.4

1-Year share price trend (Rs)**Santosh Sinha**santosh.sinha@emkayglobal.com
+91 22 6624 2414

Bharti Airtel vs. Jio vs. Vi – Comparison for Q2

While RJio’s performance benefitted from high subscriber addition, Bharti Airtel’s India wireless performance was supported by a mix of subscriber addition, conversion of 2G users to 4G, and improvement in ARPU. RJio continued its dominance in data growth, while voice volume declined QoQ for all 3 players.

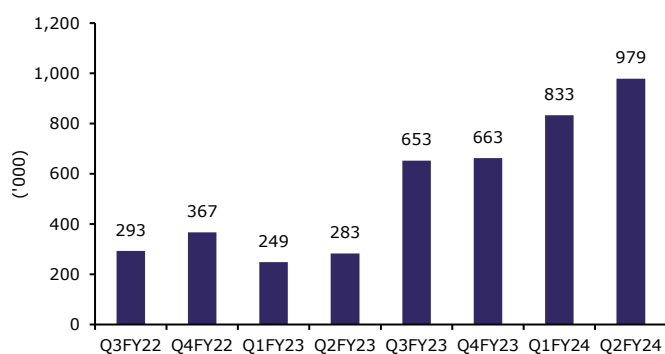
- Airtel's India wireless revenue increased 2.7% QoQ, comparable with RJio's revenue growth of 2.9% QoQ. Airtel's India wireless and Jio’s margins were flattish QoQ, though margin increased by 95bps QoQ for Vi.
- Bharti's ARPU was up 1.6% QoQ to Rs203, while Jio's ARPU was up 0.7% QoQ (incl. JioFibre). Vi’s ARPU was up 2.2% QoQ. Vi/Bharti's ARPU growth was supported by conversion of 2G users to 4G, a lever that Jio does not have with all its subscribers on 4G.
- Airtel's data volume on network grew 5.6% QoQ, still trailing RJio’s 9.4%QoQ growth. Airtel's data usage per subscriber was up 2.7% QoQ to 22.2GB (up 7% QoQ to 26.6GB for RJio). Airtel added 7.7mn 4G/5G subscribers vs. ~10.5mn for Jio (estimated).

Exhibit 1: QoQ performance for Q2FY24 – A comparison

	Bharti	Jio	Vi
India wireless revenue growth QoQ	2.7%	2.9%	0.6%
India wireless EBITDA margin change QoQ (bps)	14	2	95
ARPU growth	1.5%	0.7%	2.2%
Subscriber growth QoQ (mn)	3.7	10.5	-1.6
4G/5G Broadband Subscriber growth QoQ (mn)	7.7	10.5	1.8
Data volume growth (change)	5.6%	9.4%	1.9%
Data usage per subscriber (change)	2.7%	7.0%	0.9%
MOU (change)	-1.3%	-2.4%	-2.2%

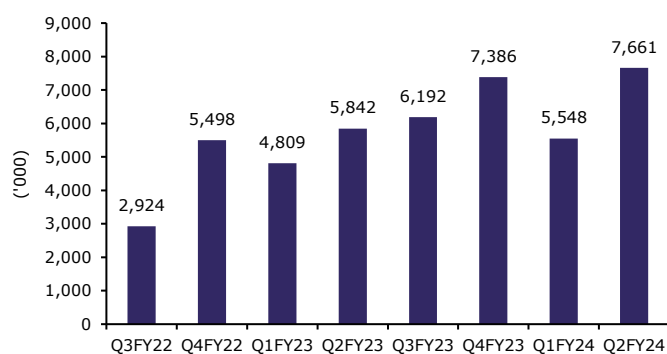
Source: Company, Emkay Research

Exhibit 2: Q2FY24 saw the highest postpaid addition in Bharti



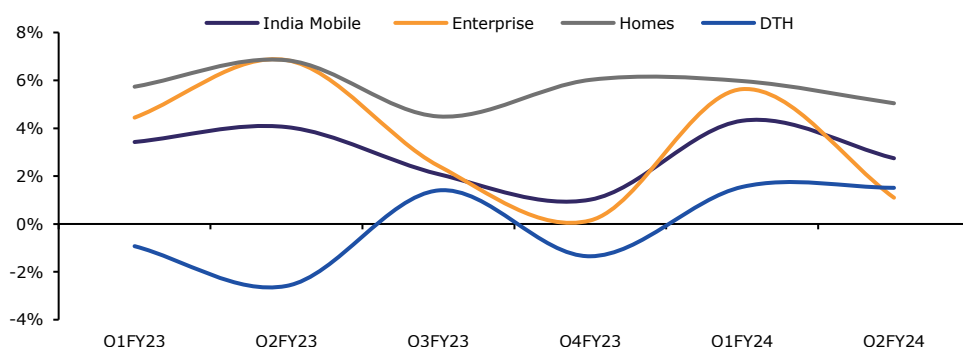
Source: Company

Exhibit 3: Strong 4G net additions continue for Bharti Airtel (India)



Source: Company

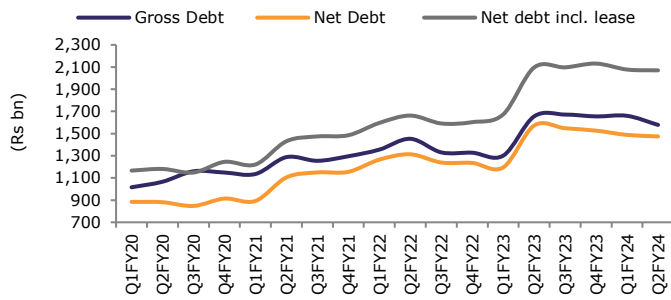
Exhibit 4: QoQ revenue growth for Homes remains elevated; growth moderates for Enterprise



Source: Company, Emkay Research

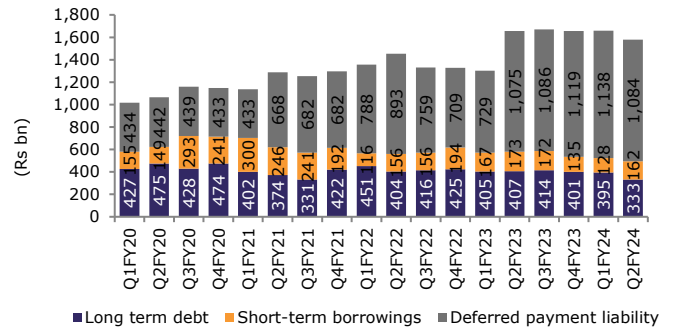
Cash flow position remains strong for Airtel

Exhibit 5: Gross and net debt stable, despite elevated 5G capex



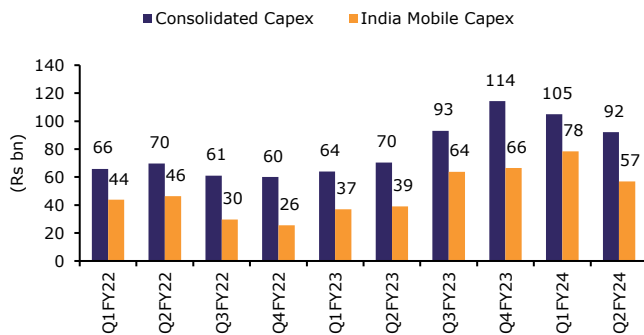
Source: Company, Emkay Research

Exhibit 6: Most of the debt is related to deferred payment liability



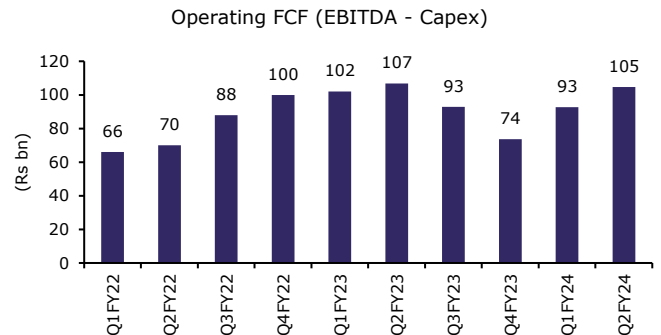
Source: Company, Emkay Research

Exhibit 7: India mobile capex down in Q2...



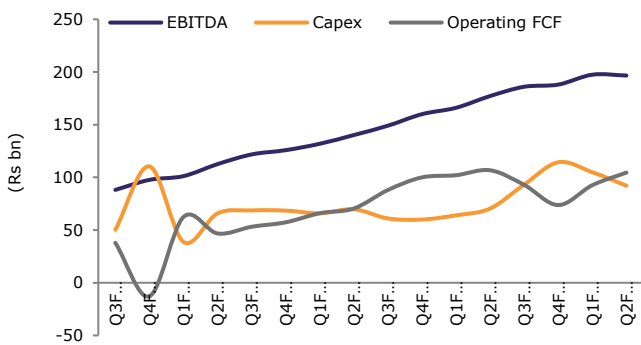
Source: Company, Emkay Research

Exhibit 8: ...leading to increase in operating FCF



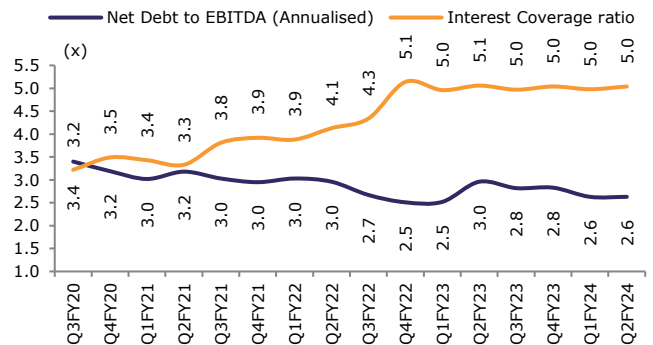
Source: Company, Emkay Research

Exhibit 9: Operating FCF increasing with expanding EBITDA



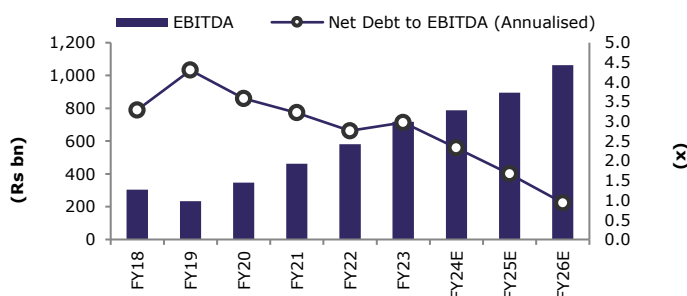
Source: Company, Emkay Research

Exhibit 10: Net debt/EBITDA declining; coverage ratio stable



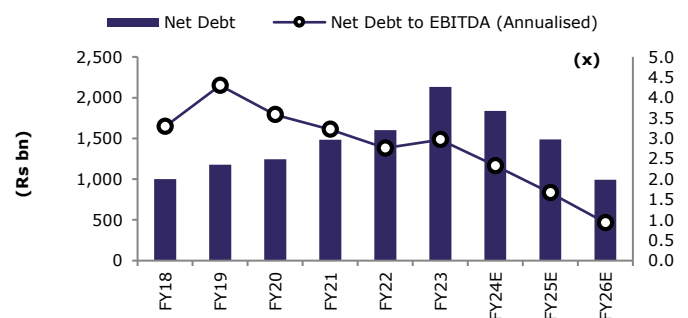
Source: Company, Emkay Research

Exhibit 11: EBITDA to improve further, with ARPU

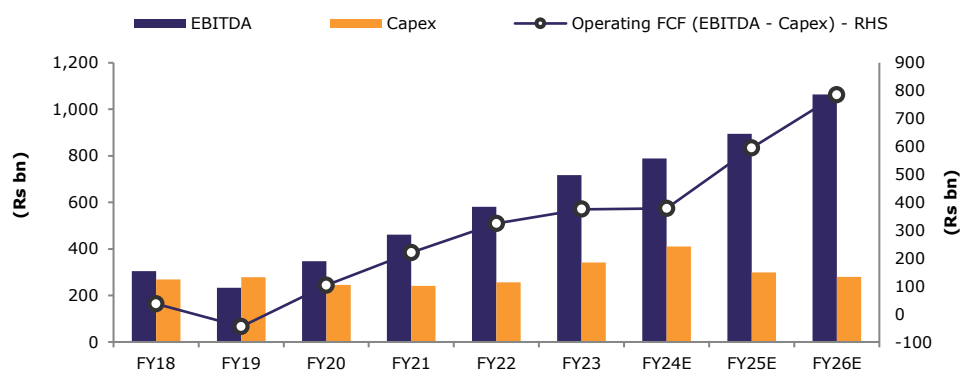


Source: Company, Emkay Research

Exhibit 12: Net debt to decline, on improving EBITDA



Source: Company, Emkay Research

Exhibit 13: Operating FCF to increase, leading to deleveraging

Source: Company, Emkay Research

Q2FY24 earnings call highlights

- Market-share gain in high-end phones:** Share of more than Rs20,000 smartphones has increased on all networks and not just for any one player. Airtel, in the last 12 months, has added close to 100 basis points of market share of high-end phones. NSA has allowed the company deliver a better experience and with lower CapEx on mid band spectrum.
- Tariff hike:** Company does not believe in a higher 5G tariff, but will continue to strive for overall hike in tariffs.
- DTH:** Market-specific strategy to address the challenges of DTH has started to show some green shoots in Maharashtra and Gujarat.
- Airtel business segment:** Revenue growth moderated, as the global business, which serves carriers and OTT companies including wholesale traffic data, bandwidths and CPaaS, has seen a slowdown. Global OTTs have begun to defer their spends and are also optimizing on bandwidths and messaging, given the larger slowdown in western markets. **For the global business, Company expects the order book to look up in about two to three quarters.** However, the domestic business has doubled its growth run-rate over the last four quarters and continues to accelerate momentum, driven by both—connectivity and adjacencies around connectivity, which includes CPaaS, security and IoT. Company is seeing strong traction on all lines of business — data centers, CPaaS, security and connectivity.
- Airtel Finance's assets under management (AUM)** have now crossed Rs10bn of personal loans and Company has more than 0.2mn co-branded credit cards.
- The three levers for the post-paid acceleration** are the small-format store expansion, Company's 'family plans', and 5G. Airtel has launched the small-format store, which is a small 100-150ft² store at a significantly lower cost. Company has around 300 stores, with another 150-200 under construction.
- Homes & fixed wireless access (FWA):** Almost 35% of the acquisitions are now on Airtel Black. FWA will complement FTTH and help to bridge the gap in catchments with weak fiber reach. The cost of the equipment has been falling and is likely to fall further with increase in volumes which will complement FWA with Fiber well. Airtel has commenced FWA testing in three cities, and will see a full roll-out by the end of this calendar year. Company has now decided to go with the outdoor CPE, which will be launched in coming months; it has already placed the order.
- The gap between entry-level plans and smartphone plans has now started compressing.** In the past, entry-level plan was Rs99, which is now close to Rs179 for 2G, while the 4G plan entails entry plan from Rs239, implying that the gap is only Rs60.
- 2G devices:** In Gujarat, Delhi, Kerala and Mumbai, 2G devices now account for less than 8% of the total number of devices. Bihar, UP, Odisha and Rajasthan have a reasonable chunk of 2G devices.
- Capex to moderate from FY25:** FY24 is the peak year of capex, as Radio capex is high because of considerable 5G rollout as well as rollout of new 4G sites. The rollout of both 4G and 5G will start moderating from FY25. Transport capex, Data center capex, Home broadband, and B2B capex will continue. Capex will cool off around radio in FY25.

■ Others

- Company will try to pay the remaining amount of 10% coupon spectrum of 2015, for which it still has ~ Rs100bn left.
- The company does not need any further spectrum for some time to come. Some small chunks of spectrum may be needed as renewal spectrum in some of the circles.
- No timeline for tariff hike. Company is trying to assess the impact of change in entry-level tariff and is also making adjustments in some plans, in the interim.

Change in estimates

We adjust our estimate to account for the Nigeria currency devaluation, moderation in Enterprise revenue growth, and robust India-mobile performance. As a result, our consolidated revenue for FY25E/FY26E reduces by 1%/0.1%. Our FY25E/FY26E margin estimate declines by ~160/80bps, respectively.

Exhibit 14: Changes in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
Revenue	14,94,769	14,98,826	0.3	16,74,383	16,57,269	-1.0	19,01,734	18,99,435	-0.1
EBITDA	7,99,175	7,88,680	-1.3	9,31,756	8,94,405	-4.0	10,79,775	10,63,894	-1.5
EBITDA Margin (%)	53.5	52.6	-88 bps	55.6	54.0	-163 bps	56.8	56.0	-79 bps
PAT	98,486	84,263	-14.4	2,00,782	1,75,576	-12.6	3,14,675	3,06,619	-2.6
EPS (Rs)	16.5	14.1	-14.5	33.6	29.4	-12.5	52.7	51.3	-2.6

Source: Emkay Research

Exhibit 15: SOTP-based valuation

	Sep-25E
Core India business (ex-towers, ex-Africa)	
Enterprise value (Rs bn)	6,902
EBITDA (Rs bn)	767
EV/EBITDA (x)	9.0
Net debt (Rs bn)	1,320
Equity value (Rs bn)	5,582
Equity value (Rs/share)	935
Indus Towers - Valuation	
Target market cap (Rs bn)	526
Bharti's shareholding (%)	48.0%
Bharti's share (Rs bn)	252
Per Share value (Rs/share)	42
Africa business valuation	
Enterprise value (Rs bn)	1,055
EBITDA (Rs bn)	234
EV/EBITDA (x)	4.5
Net debt - (Rs bn)	271
Equity value (Rs bn)	784
Bharti's stake	55%
Per share value (Rs/share)	73
Target Price (Rs/share)	1,050

Source: Company, Emkay Research

Bharti Airtel: Q2FY23 result highlights

- Bharti Airtel reported strong operating performance for its India business, though consol. revenue was impacted by Airtel Africa revenue reduction on currency devaluation.
- **Reported consolidated revenue at Rs370.4bn was down 1.1% QoQ** (a 3% miss on consensus/our estimates). This was led by Airtel Africa revenue declining 9.2% QoQ. Consol. EBITDA of Rs195bn was down 0.4% QoQ, implying in-line consol. margin of 52.7% (up by 33bps QoQ).
- **Marketing expenses declined 7% QoQ** and access charges were down 9% QoQ, aiding margin expansion for Bharti. Network opex was flat QoQ and employee expenses were up 9.7% QoQ.
- **Reported PAT came in at Rs13bn vs. Rs16bn in Q1.** Consolidated Net income (before Exceptional items) stood at Rs29.6bn vs. Rs29bn in Q1. **Exceptional item of Rs15.7bn includes additional tax provision of Rs2.26bn**, primarily due to change in effective tax rate on account of adoption of the new tax regime. It also includes related interest charge of Rs13.5bn. These are pertaining to the recent SC judgement regarding the tax treatment of adjusted revenue-linked Variable License Fee ("VLF").

India Wireless: Strong 4G addition; highest-ever postpaid net-adds

- **India wireless revenues increased 2.7% QoQ** to Rs209.5bn (vs. our estimate of Rs208.6bn). India wireless EBITDA margin increased by 14bps QoQ to 54.9%.
- **Bharti's ARPU up 1.6% to Rs203** (vs. our estimate of Rs204). In comparison, Jio's ARPU was up 0.7% QoQ (incl. JioFibre), while Vi's ARPU was up 2.2%. ARPU growth was supported by higher number of days in Q2 vs. Q1, and conversion of users to 4G.
- **Bharti has reported overall subscriber addition of 3.7mn** (vs. 3.1mn in Q1; Emkay: 4mn). Jio (ex-JioFibre) had a net subscriber addition of ~10.5mn, while Vi lost 1.6mn subscribers.
- **Data and 4G subscriber addition was impressive at 7.7mn each** (5.5mn and 5.6mn in Q1, respectively). Data traffic was up 5.6% QoQ (vs. 9.4% QoQ growth for RJio). **Moreover, Airtel logged its highest-ever postpaid net adds, at 1mn in Q2FY24 (vs. 0.8mn in Q1), contributing almost 26% of the total net adds for the quarter.**

Exhibit 16: India Mobile – Sequential improvement in revenue/EBITDA

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	1,89,576	1,93,527	1,95,493	2,03,924	2,09,521	10.5	2.7
EBITDA	99,258	1,04,121	1,05,227	1,11,665	1,15,039	15.9	3.0
EBITDA / Total revenue	52.4%	53.8%	53.8%	54.8%	54.9%	486 bps	14 bps
EBIT	36,695	40,311	40,813	45,190	46,777	27.5	3.5
Capex	39,107	63,793	66,471	78,290	56,856	45.4	(27.4)
Operating Free Cash Flow	60,150	40,328	38,756	33,375	58,183	(3.3)	74.3

Source: Company; Emkay Research

Exhibit 17: KPIs improve QoQ

India Wireless - KPIs	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
ARPU (Rs)	190	193	193	200	203	6.9	1.5
MOU (mins)	1,082	1,094	1,122	1,138	1,123	3.8	(1.3)
Traffic (bn mins)	1,063	1,082	1,124	1,149	1,148	8.0	(0.1)
Subscribers (mn)	328	332	335	339	342	4.4	1.1
Pre-Paid Churn	3.3%	3.0%	2.8%	2.8%	2.9%	-33 bps	14 bps
Data metrics							
Data Subscribers (mn)	219.1	225	233	238	246	12.2	3.2
Of which no. of 3G/4G customers (mn)	210.3	217	224	230	237	12.9	3.4
As a % of customer base	66.8%	67.8%	69.4%	70.4%	71.8%	747 bps	147 bps
Total MBs on the network (bn)	13,485	13,853	14,248	15,273	16,127	19.6	5.6
Data usage/user (GB)	20.8	20.8	20.8	21.6	22.2	7.0	2.7

Source: Company

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 11/07/2023 11:56 AM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

- **Capex for the quarter came in at Rs92.1bn** (vs. Rs104.8bn in Q1), with operating FCF (EBITDA-capex) increasing to Rs104.6bn (vs. Rs92.6bn in Q1), led by lower capex. India wireless capex declined 27% QoQ to Rs56.9bn, amid continued 5G rollout.
 - **Network site** addition picked up in Q2, with 11.1k network sites added in Q2 (vs. 9.1k network sites added in Q1).
 - **Mobile Broadband Base station** additions in Q2 were 23.4k vs. 20.3k in Q1.
 - **Optic fiber addition** was down to 12,195 R-km in Q1 vs. 14,982 R-km in Q1.
- **Net debt (including lease) was Rs2.07trn** (Rs2.08trn at the end of Q1). Core net debt (excluding lease) stood at Rs1.47trn vs Rs1.48trn at the end of Q1.

Exhibit 18: India capex moderates amid continued 5G rollout

Capex	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Total Capex (Rs mn)	70,469	93,136	1,14,360	1,04,858	92,061	30.6	(12.2)
India Mobile Capex (Rs mn)	39,107	63,793	66,471	78,290	56,856	45.4	(27.4)
Network Sites (no. of)	2,53,998	2,62,619	2,75,069	2,84,221	2,95,318	16.3	3.9
QoQ Network Sites added (no. of)	8,372	8,621	12,450	9,152	11,097	32.5	21.3
Mobile Broadband Base stations (no. of)	7,87,498	8,06,197	8,32,369	8,52,650	8,76,096	11.3	2.7
Mobile Broadband Base stations added (no. of)	20,825	18,699	26,172	20,281	23,446	12.6	15.6
Optic Fiber Network (R km)	3,67,976	3,76,978	3,88,726	4,03,708	4,15,903	13.0	3.0
Optic Fiber Network added (R km)	6,438	9,002	11,748	14,982	12,195	89.4	(18.6)

Source: Company

Segmental performance

- **Airtel Business (Enterprise) – Growth moderates:** Enterprise revenue was up only 1.1% QoQ (5.6% QoQ in Q1), though margin was up by 70bps QoQ.
- **Home Broadband – Highest customer net-adds:** Home broadband revenue continued to record a healthy performance, with 5% sequential growth, while margin was flattish QoQ. Homes registered the highest-ever 471K customer net additions in Q2FY24 (413k in Q1). ARPU was down 2% QoQ.
- **DTH – ARPU improves:** DTH delivered 1.5% improvement in sequential revenue, though margin compressed by 155bps QoQ. Customer base saw a decline of 169k, while APRU was up 3.4% QoQ. Monthly churn was up, to 2.7% vs. 2.2% in Q1.

Exhibit 19: Homes services growth momentum continued

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	9,898	10,343	10,966	11,621	12,207	23.3	5.0
EBITDA	4,983	5,173	5,526	5,860	6,073	21.9	3.6
EBITDA / Total revenue	50%	50%	50%	50%	50%	-118 bps	-68 bps
Subscribers (mn)	5.2	5.6	6.0	6.5	6.9	33.0	7.3
Net Additions (000s)	417	432	404	413	471	12.9	13.9
Average Revenue Per User (ARPU; Rs/mth)	646	624	614	608	595	(7.9)	(2.2)

Source: Company

Exhibit 20: DTH registered modest growth

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	7,288	7,390	7,290	7,403	7,515	3.1	1.5
EBITDA	4,352	4,132	4,081	4,264	4,212	(3.2)	(1.2)
EBITDA / Total revenue	60%	56%	56%	58%	56%	-366 bps	-155 bps
Digital TV subs (mn)	15.8	16.0	15.9	15.9	15.7	(0.1)	(1.1)
Net additions (000s)	66	214	-39	-28	-169	NM	NM
ARPU (Rs)	155	154	153	154	159	2.6	3.3
Monthly Churn	2.3%	2.0%	2.3%	2.2%	2.7%	17.5	20.7

Source: Company

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 11/07/2023 11:56 AM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Exhibit 21: Growth in the Enterprise segment moderated

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	46,646	47,779	47,850	50,545	51,100	9.5	1.1
EBITDA	18,293	19,050	19,680	19,979	20,578	12.5	3.0
EBITDA / Total revenue	39%	40%	41%	40%	40%	268 bps	74 bps

Source: Company

Exhibit 22: Bharti Airtel's financial performance

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Mobile	2,93,968	3,05,179	3,06,614	3,18,026	3,13,222	6.5	(1.5)
India	1,88,821	1,93,527	1,95,493	2,03,924	2,09,521	11.0	2.7
Africa	1,04,452	1,10,876	1,10,315	1,13,168	1,02,768	(1.6)	(9.2)
South Asia	695	776	806	934	933	34.2	(0.1)
Home Services	9,898	10,343	10,966	11,621	12,207	23.3	5.0
Airtel Business	46,646	47,779	47,850	50,549	51,100	9.5	1.1
Others (DTH +others)	7,492	7,651	7,590	7,703	7,816	4.3	1.5
Total gross Sales	3,58,004	3,70,952	3,73,020	3,87,899	3,84,345	7.4	(0.9)
Inter-segmental eliminations	12,736	12,908	12,930	13,495	13,907	9.2	3.1
Net Sales	3,45,268	3,58,044	3,60,090	3,74,404	3,70,438	7.3	(1.1)
Access charge	19,310	19,352	18,847	19,972	18,144	(6.0)	(9.2)
as % of sales	5.6	5.4	5.2	5.3	4.9		
Network Operating	71,303	73,284	74,018	74,036	74,240	4.1	0.3
as % of sales	20.7	20.5	20.6	19.8	20.0		
Employee Expenses	12,086	12,353	12,634	12,572	13,790	14.1	9.7
as % of sales	3.5	3.5	3.5	3.4	3.7		
Marketing Expenses	37,120	40,102	39,341	42,432	39,484	6.4	(6.9)
as % of sales	10.8	11.2	10.9	11.3	10.7		
License Fee	29,511	28,421	28,279	29,403	29,643	0.4	0.8
as % of sales	8.5	7.9	7.9	7.9	8.0		
Total operating expenditure	1,69,330	1,73,512	1,73,119	1,78,415	1,75,301	3.5	(1.7)
EBITDA	1,75,938	1,84,532	1,86,971	1,95,989	1,95,137	10.9	(0.4)
Depreciation	89,468	92,977	94,059	96,538	97,343	8.8	0.8
EBIT	86,470	91,555	92,912	99,451	97,794	13.1	(1.7)
Other Income	2,019	2,576	2,849	3,483	3,304	63.6	(5.1)
Interest	49,403	46,856	51,631	56,137	51,858	5.0	(7.6)
Non-operating expenses	0	6,698	0	34,163	15,703		
PBT	39,086	40,577	44,130	12,634	33,537	(14.2)	165.5
Tax	12,864	10,756	7,880	3,327	18,465	43.5	455.0
PAT before MI	26,222	29,821	36,250	9,307	15,072	(42.5)	61.9
Minority interest	8,337	10,255	12,204	-923	7,525	(9.7)	(915.3)
PAT after MI	17,885	19,566	24,046	10,230	7,547	(57.8)	(26.2)
Share of associates	3,567	-3,684	6,010	5,899	5,860	64.3	(0.7)
PAT	21,452	15,882	30,056	16,125	13,403	(37.5)	(16.9)

(%)						(bps)	(bps)
EBITDAM	51.0	51.5	51.9	52.3	52.7	172	33
EBITM	25.0	25.6	25.8	26.6	26.4	136	(16)
EBTM	11.3	11.3	12.3	3.4	9.1	(227)	568
PATM	6.2	4.4	8.3	4.3	3.6	(259)	(69)
Effective Tax rate	32.9	26.5	17.9	26.3	55.1	2,215	2,872

Source: Company

Airtel Africa Q2FY24: Subscriber addition picks up

Airtel Africa revenue/EBITDA was broadly in-line. **Key positives:** i) Added 4.6mn customers in Q2 (vs. 3.1mn adds in Q1). ii) Number of data customers added in Q2 was 3mn vs. 2.2mn in Q1. iii) Constant currency ARPU is up 9.6% YoY. iv) EBITDA margin is up by 23bps QoQ. v) Q2FY24 data usage per customer increased to 5.2GB per customer per month (from 4.5 GB in the prior period). **Key negatives:** Mobile money customer addition has moderated in Q2, at 2.2mn (vs. 2.8mn addition in Q1FY24).

Long runway for growth in Africa: 4G data usage per customer reached 8.4GB per month (from 7.3GB in the prior period). Data usage per customer and data penetration in Africa remain low, thus providing a long runway for growth in Airtel Africa.

Summary of Q2FY24 results

- **Q2 revenue up 19%YoY on cc basis** – Africa revenue stood at USD1,246mn, up 19% YoY on constant currency basis (-4.7% YoY/-9.5% QoQ on reported basis). Q2 has a full-quarter impact of currency devaluation.
 - Revenue for East Africa and Francophone Africa was up QoQ, though the performance in Nigeria was impacted by the devaluation of NGN. On constant currency basis, revenue growth for all regions was almost in double digits, on YoY basis.
 - Mobile Money performance also improved, by 7% QoQ, with margin expansion of 40bps QoQ.
- **EBITDA at USD620mn was up 20% YoY** on constant currency basis (-3.3% YoY; -9.1% QoQ on reported basis).
- **EBITDA margin up by 23bps on QoQ basis.** EBITDA margin was up 44bps YoY on constant currency basis (up 73bps YoY on reported basis) to 49.8%.
- **Customer addition picks up QoQ:** At end-Q2FY24, the company had an aggregate customer base of 147.7mn, up 9.7% YoY (up 3.2% QoQ). Company added an impressive 4.6mn customers in Q2 (vs. 3.1mn/1.5mn/3.8mn customers in Q1FY24/Q4FY23/Q3FY23, respectively).
- **Number of data customers added in Q2** was 3mn vs. 2.2mn/3.3mn in Q1FY24/Q4FY23. Mobile Money customer addition has moderated in Q2, to 2.2mn (vs. 2.8mn/0.1mn in Q1FY24/Q4FY23, respectively).
- **Mobile Money penetration is up by 74bps QoQ** to 24.7%, while Data customer penetration is up by 79bps QoQ to 40.5%.
- **ARPU reduced 13% YoY (up 9.6%YoY on constant currency basis),** at USD2.9. Sequentially, ARPU was down 9% QoQ on reported basis.
- **PAT: Net profit stood at USD138mn in Q2 vs.** loss of USD151mn in Q1, as Q1 was impacted by currency devaluation in Nigeria (leading to derivative and foreign-exchange losses).
- **Operating free cash flow down 17% QoQ** at USD448mn (USD542mn in Q1FY24), due to higher capex QoQ and lower EBITDA.
- **Net debt including lease increased to USD3,327mn at the end of Q2FY24** vs. USD3,321mn at the end of Q1FY24 and USD3,278mn net debt at the end of Q2FY23. Net debt-to-underlying EBITDA was 1.3x as of end-Q2, similar to that in Q1.
- **Capex guidance** for the full year remains between USD800m and USD825m.
- **Interim dividend of 2.38 cents** per share — an increase of 9%. Leverage of 1.3x in Sep-2023 was broadly stable, despite the foreign-exchange impact on EBITDA.

Exhibit 23: Airtel Africa – Financial and operational performance

(USD mn)	Q2FY23	Q1FY24	Q2FY24	YoY	Cons. curr - YoY	QoQ
Revenue	1,308	1,377	1,246	-4.7%	19.0%	-9.5%
Expenses	671	695	626	-6.7%		-9.9%
Underlying EBITDA	641	682	620	-3.3%	20.1%	-9.1%
Underlying EBITDA margin	49.0%	49.5%	49.8%	73 bps	44 bps	23 bps
Net finance costs	205	212	190	-7.3%		-10.4%
Profit After Tax	152	-151	138	-9.2%		-191.4%
Non-Controlling Interest	-19	-19	-23			
Profit attributable to parent company	133	-170	115			
Basic EPS - pre-exceptional items	3.0	3.9	3.1	2.9%		-20.5%
Basic EPS	3.5	-4.5	3.1	-13.2%		-168.9%
Capex	169	140	172	1.8%		22.9%
Operating Free Cash Flow	472	542	448	-5.1%		-17.3%
Operational Performance						
ARPU (USD)	3.3	3.2	2.9	-13.0%	8.6%	-9.4%
Total customer base (mn)	134.7	143.1	147.7	9.7%		3.2%
Customer addition (mn)	2.9	3.1	4.6	58.6%		48.4%
Data customer base (mn)	48.6	56.8	59.8	23.0%		5.3%
Mobile money customer	29.7	34.3	36.5	23.1%		6.4%
Mobile money penetration	22.0%	24.0%	24.7%	266 bps		74 bps
Data customer penetration	36.1%	39.7%	40.5%	440 bps		79 bps

Source: Company, Emkay Research

Exhibit 24: Divisional performance

Regional performance, Mobile (Rs mn)	Q2FY23	Q1FY24	Q2FY24	YoY	Cons. curr - YoY	QoQ
Nigeria						
Revenue	523	528	350	-33.1%	20.4%	-33.7%
Underlying EBITDA	259	284	190	-26.6%	32.3%	-33.1%
Underlying EBITDA margin	49.5%	53.7%	54.4%	487 bps	489 bps	70 bps
East Africa (Rs mn)						
Revenue	381	397	424	11.3%	21.4%	6.8%
Underlying EBITDA	193	195	213	10.1%	19.4%	9.2%
Underlying EBITDA margin	50.7%	49.1%	50.2%	(51) bps	(83) bps	111 bps
Francophone Africa (Rs mn)						
Revenue	271	299	306	12.9%	9.0%	2.3%
Underlying EBITDA	131	131	133	2.2%	-1.6%	1.5%
Underlying EBITDA margin	48.3%	43.8%	43.5%	(462) bps	(469) bps	-35 bps
Mobile Money v						
Revenue	173	201	215	24.5%	30.5%	7.0%
Underlying EBITDA	84	103	111	32.2%	38.1%	7.8%
Underlying EBITDA margin	48.6%	51.2%	51.6%	301 bps	282 bps	38 bps

Source: Company, Emkay Research

Bharti Airtel: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	11,65,469	13,91,448	14,98,826	16,57,269	18,99,435
Revenue growth (%)	15.8	19.4	7.7	10.6	14.6
EBITDA	5,75,339	7,12,735	7,88,680	8,94,405	10,63,894
EBITDA growth (%)	26.8	23.9	10.7	13.4	18.9
Depreciation & Amortization	3,30,907	3,64,318	4,01,481	4,14,833	4,29,939
EBIT	2,44,432	3,48,417	3,87,199	4,79,572	6,33,956
EBIT growth (%)	53.1	42.5	11.1	23.9	32.2
Other operating income	5,343	9,366	10,000	11,000	11,000
Other income	5,343	9,366	10,000	11,000	11,000
Financial expense	1,66,162	1,92,999	1,88,612	1,76,662	1,66,734
PBT	83,613	1,64,784	2,08,588	3,13,910	4,78,222
Extraordinary items	16,986	(6,698)	(49,866)	0	0
Taxes	41,779	42,733	63,579	1,03,750	1,39,562
Minority interest	(40,503)	(39,415)	(28,602)	(48,000)	(48,000)
Income from JV/Associates	24,232	7,521	17,722	13,416	15,958
Reported PAT	42,549	83,459	84,263	1,75,576	3,06,619
PAT growth (%)	0.0	96.1	1.0	108.4	74.6
Adjusted PAT	25,563	90,157	1,34,129	1,75,576	3,06,619
Diluted EPS (Rs)	7.1	14.0	14.1	29.4	51.4
Diluted EPS growth (%)	0.0	96.1	1.0	108.4	74.6
DPS (Rs)	0.0	3.8	3.0	3.0	3.0
Dividend payout (%)	0.0	27.2	20.9	10.0	5.7
EBITDA margin (%)	49.4	51.2	52.6	54.0	56.0
EBIT margin (%)	21.0	25.0	25.8	28.9	33.4
Effective tax rate (%)	50.0	25.9	30.5	33.1	29.2
NOPLAT (pre-IndAS)	1,22,296	2,58,063	2,69,178	3,21,069	4,48,946
Shares outstanding (mn)	5,967.4	5,967.4	5,967.4	5,967.4	5,967.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	83,613	1,64,784	2,08,588	3,13,910	4,78,222
Others (non-cash items)	0	0	0	0	0
Taxes paid	(41,779)	(42,733)	(63,579)	(1,03,750)	(1,39,562)
Change in NWC	89,457	36,384	36,911	70,318	51,220
Operating cash flow	4,17,430	5,18,388	5,23,655	6,70,727	7,97,777
Capital expenditure	(5,39,225)	(3,40,968)	(4,11,800)	(3,01,040)	(2,81,040)
Acquisition of business	(49,922)	0	0	0	0
Interest & dividend income	4,052	4,052	4,052	4,052	4,052
Investing cash flow	(5,51,869)	(3,31,602)	(4,01,800)	(2,90,040)	(2,70,040)
Equity raised/(repaid)	490	416	1,502	0	0
Debt raised/(repaid)	68,927	2,16,152	(2,00,000)	(2,50,000)	(4,00,000)
Payment of lease liabilities	396	369	373	376	(38,025)
Interest paid	(1,66,162)	(1,92,999)	(1,88,612)	(1,76,662)	(1,66,734)
Dividend paid (incl tax)	0	(26,551)	(20,618)	(20,618)	(20,618)
Others	3,59,056	1,23,809	4,15,955	2,70,713	2,70,713
Financing cash flow	2,62,311	1,20,827	8,227	(1,76,567)	(3,16,639)
Net chg in Cash	1,27,872	3,07,613	1,30,082	2,04,120	2,11,098
OCF	4,17,430	5,18,388	5,23,655	6,70,727	7,97,777
Adj. OCF (w/o NWC chg.)	5,06,887	5,54,772	5,60,566	7,41,045	8,48,996
FCFF	(1,21,795)	1,77,420	1,11,855	3,69,687	5,16,737
FCFE	(2,83,905)	(11,527)	(72,705)	1,97,077	3,54,055
OCF/EBITDA (%)	72.6	72.7	66.4	75.0	75.0
FCFE/PAT (%)	(667.2)	(13.8)	(86.3)	112.2	115.5
FCFF/NOPLAT (%)	(99.6)	68.8	41.6	115.1	115.1

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	27,950	28,366	29,868	29,868	29,868
Reserves & Surplus	9,23,293	10,91,165	12,80,435	13,94,794	16,44,684
Net worth	9,51,243	11,19,531	13,10,303	14,24,662	16,74,552
Minority interests	2,53,807	2,88,814	3,17,416	3,65,416	4,13,416
Deferred tax liability (net)	24,488	20,762	20,762	20,762	20,762
Total debt	16,96,779	22,60,203	20,60,203	18,10,203	14,10,203
Total liabilities & equity	29,26,317	36,89,310	37,08,683	36,21,042	35,18,932
Net tangible fixed assets	9,05,725	9,52,241	10,42,842	9,85,954	8,98,194
Net intangible assets	8,74,509	9,37,490	8,56,094	7,74,527	6,92,790
Net ROU assets	3,22,286	5,46,466	5,47,581	5,72,243	5,92,841
Capital WIP	59,547	4,94,254	4,94,254	4,94,254	4,94,254
Goodwill	3,38,313	3,38,313	3,38,313	3,38,313	3,38,313
Investments [JV/Associates]	2,84,268	2,84,268	2,84,268	2,84,268	2,84,268
Cash & equivalents	1,44,166	1,78,885	2,24,850	3,21,321	4,19,328
Current assets (ex-cash)	7,07,746	7,34,415	7,14,629	7,24,021	7,56,187
Current Liab. & Prov.	7,10,243	7,77,022	7,94,147	8,73,858	9,57,243
NWC (ex-cash)	(2,497)	(42,607)	(79,518)	(1,49,836)	(2,01,056)
Total assets	29,26,317	36,89,310	37,08,683	36,21,042	35,18,932
Net debt	15,52,613	20,81,318	18,35,353	14,88,882	9,90,875
Capital employed	29,26,317	36,89,310	37,08,683	36,21,042	35,18,932
Invested capital	24,38,336	27,31,903	27,05,311	25,21,200	23,21,082
BVPS (Rs)	159.4	187.6	219.6	238.7	280.6
Net Debt/Equity (x)	1.6	1.9	1.4	1.0	0.6
Net Debt/EBITDA (x)	2.7	2.9	2.3	1.7	0.9
Interest coverage (x)	0.7	0.5	0.5	0.4	0.3
RoCE (%)	8.8	10.8	10.7	13.4	18.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	213.1	60.4	40.6	31.0	17.8
P/CE(x)	15.3	12.0	10.2	9.2	7.4
P/B (x)	5.7	4.9	4.2	3.8	3.3
EV/Sales (x)	6.0	5.4	4.9	4.2	3.4
EV/EBITDA (x)	12.2	10.6	9.2	7.8	6.1
EV/EBIT(x)	28.6	21.6	18.8	14.5	10.2
EV/IC (x)	2.9	2.8	2.7	2.8	2.8
FCFF yield (%)	(1.7)	2.4	1.5	5.3	8.0
FCFE yield (%)	(5.2)	(0.2)	(1.3)	3.6	6.5
Dividend yield (%)	0.0	0.4	0.3	0.3	0.3
DuPont-RoE split					
Net profit margin (%)	2.2	6.5	8.9	10.6	16.1
Total asset turnover (x)	0.4	0.4	0.4	0.5	0.5
Assets/Equity (x)	3.1	3.2	3.0	2.7	2.3
RoE (%)	2.7	8.7	11.0	12.8	19.8
DuPont-RoIC					
NOPLAT margin (%)	10.5	18.5	18.0	19.4	23.6
IC turnover (x)	0.5	0.5	0.6	0.6	0.8
RoIC (%)	5.1	10.0	9.9	12.3	18.5
Operating metrics					
Core NWC days	(0.8)	(11.2)	(19.4)	(33.0)	(38.6)
Total NWC days	(0.8)	(11.2)	(19.4)	(33.0)	(38.6)
Fixed asset turnover	0.3	0.3	0.3	0.3	0.4
Opex-to-revenue (%)	50.6	48.8	47.4	46.0	44.0

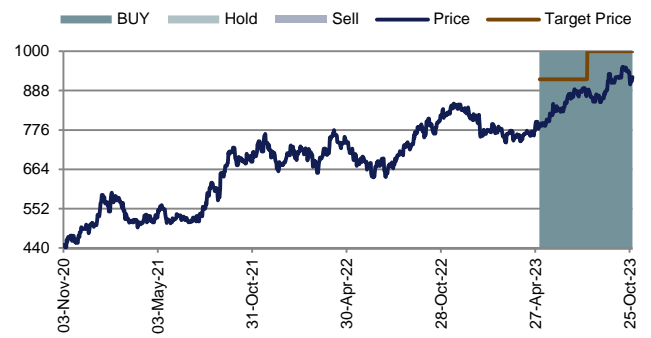
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
13-Aug-23	871	1,000	Buy	Santosh Sinha
07-Aug-23	891	1,000	Buy	Santosh Sinha
05-Aug-23	890	1,000	Buy	Santosh Sinha
17-May-23	792	920	Buy	Santosh Sinha
05-May-23	787	920	Buy	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of November 2, 2023
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of November 2, 2023
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the November 2, 2023
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) -:**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.