

## ARPU to improve further amid strong 4G subscriber addition

Telecommunications ▶ Result Update ▶ May 15, 2024

TARGET PRICE (Rs): 1,400

**Bharti Airtel (Airtel) reported steady operating performance for the India business, though consolidated numbers were impacted by currency devaluation in Africa. India wireless revenue increased 2% QoQ, with flat margin QoQ. Revenue growth was led by strong 4G/5G subscriber addition (7.8mn in Q4 vs. 7.4mn in Q3) and postpaid customer addition of 0.75mn (0.7mn in Q3). ARPU rose 0.5% QoQ to Rs209. Airtel should benefit from: i) subscriber gain from Vi, with the launch of 5G; ii) mix change, as it can move users to 4G/5G from 2G; iii) expected tariff hike; and iv) historically higher pass-through of the increase in revenue to EBITDA. We raise India EBITDA by 3% for FY26E, as we adjust for improving fundamentals. Our TP increases to Rs1,400/share (9.5x Mar-26E EV/EBITDA) from Rs1,325/share as a result. We retain our ADD rating.**

**Bharti Airtel: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	1,165,469	1,391,448	1,499,828	1,651,420	1,928,005
EBITDA	575,339	712,735	782,922	852,232	1,055,230
Adj. PAT	25,563	90,157	125,029	158,858	332,016
Adj. EPS (Rs)	7.1	14.0	8.3	26.6	55.6
EBITDA margin (%)	49.4	51.2	52.2	51.6	54.7
EBITDA growth (%)	26.8	23.9	9.8	8.9	23.8
Adj. EPS growth (%)	0.0	96.1	(40.9)	222.2	109.0
RoE (%)	2.7	8.7	10.9	12.3	21.4
RoIC (%)	5.1	10.0	10.4	12.2	19.7
P/E (x)	305.8	86.7	62.5	49.2	23.5
EV/EBITDA (x)	16.3	13.9	12.5	11.1	8.3
P/B (x)	8.2	7.0	6.7	5.5	4.6
FCFF yield (%)	(1.3)	1.8	1.4	2.6	8.0

Source: Company, Emkay Research

**Q4: 4G/5G subs addition remain strong; ARPU flat QoQ on 5G offer impact**

Consolidated revenue (-0.8% QoQ) missed our est., while India Mobile revenue (+2% QoQ) beat our est. The margins missed estimate due to higher license fees and employee expense. **Key positives** for Q4 were: i) Strong data and 4G/5G subscriber addition (7.7/7.8mn in Q4 vs. 7.3/7.4mn in Q3). ii) Elevated postpaid net addition of 0.75mn (vs. 0.7mn in Q3). iii) Subscriber addition of 6.7mn (vs. 3.3mn in Q3). iv) Home/Enterprise delivered 3%/5% QoQ revenue growth and DTH margin expanded by 240bps QoQ, and (vi) Dividend increased to Rs8/share in FY24 vs. Rs4/share in FY23. **Key negatives:** i) License fee and employee expenses up 3% QoQ each. ii) Enterprise and Home margin declined QoQ, and iii) Consol. revenue was impacted by African currency devaluation.

**2-stage tariff may yield Rs300 ARPU; capex moderation to assist deleveraging**

As per Management, it will take a couple of rounds for ARPU to increase from ~Rs200 to ~Rs300. We see one round of tariff hike by mid-FY25E that can help ARPU reach Rs270 by FY26E. ARPU growth will be further assisted by: i) feature phone to smartphone upgradation; ii) prepaid-to-postpaid upgradation, and iii) driving higher share of wallet through data monetization. The increase in EBITDA and moderation in capex can aid consolidated net debt reduction to ~Rs1trn by end of FY26 from ~Rs2trn currently.

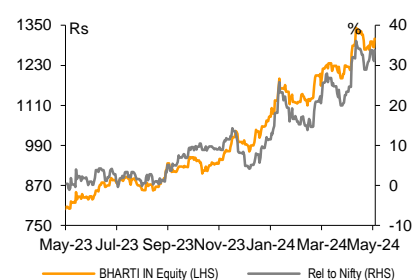
**Outlook: Tariff hike, mix change, Home Broadband & Enterprise to aid growth**

We see India mobile ARPU benefitting from the mix change and possible tariff hike, post the elections. Moreover, FCF will improve with rising EBITDA and moderating capex from FY25E. Pre-payment of spectrum dues till FY26 and pending calls on the rights issue of ~Rs156bn give us comfort on cash flow. We like Airtel's high pass-through of revenue to EBITDA. The Home Broadband and Enterprise segments add growth levers. We cut consol. EBITDA estimate by 5%/2% for FY25E/FY26E, as we adjust for the margin miss. We raise our TP to Rs1,400 (9.5x Mar-26E EV/EBITDA) from Rs1,325, as: i) we increase FY26E India EBITDA by 3%; and ii) expect 50% of AGR dues of Rs440bn (~Rs220bn) to be reversed by the Supreme Court following curative petition. We retain ADD.

Target Price – 12M	Mar-25
<b>Change in TP (%)</b>	<b>5.7</b>
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	6.9
CMP (15-May-24) (Rs)	1,309.9

Stock Data	Ticker
52-week High (Rs)	1,364
52-week Low (Rs)	784
Shares outstanding (mn)	5,673.6
Market-cap (Rs bn)	7,800
Market-cap (USD mn)	93,417
Net-debt, FY25E (Rs mn)	1,629,232
ADTV-3M (mn shares)	7
ADTV-3M (Rs mn)	8,654.4
ADTV-3M (USD mn)	103.6
Free float (%)	-
Nifty-50	22,201
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	53.5
FPIs/MFs (%)	24.4/19.4

Price Performance			
(%)	1M	3M	12M
Absolute	7.0	16.9	64.3
Rel. to Nifty	7.3	15.4	36.2

**1-Year share price trend (Rs)****Santosh Sinha**santosh.sinha@emkayglobal.com  
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**Bharti Airtel vs. Jio – Comparison for Q4**

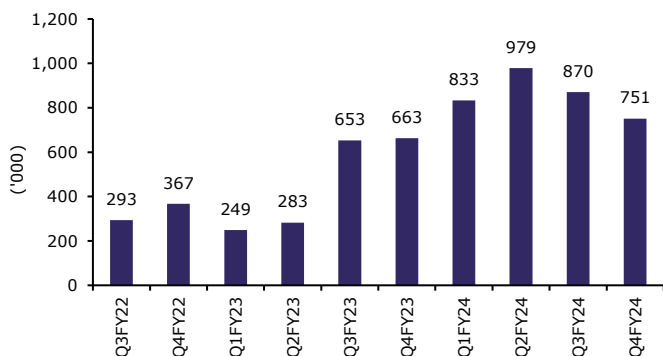
- Airtel’s India wireless revenues increased by 2% QoQ vs. RJio’s revenue growth of 2.3% QoQ.
- Airtel’s India wireless margin was flat QoQ. Jio’s margins was also flattish, up 10bps QoQ.
- Bharti’s ARPU up 0.5% to Rs209, while Jio’s ARPU was flat QoQ (incl. JioFibre).
- Airtel’s data volume on network grew 6.4% QoQ (vs. 7.4% QoQ growth for RJio).
- Airtel’s data usage per subscriber was up 2.9% QoQ to 22.6GB/month (vs. up 5% QoQ to 28.7GB for RJio).
- Airtel added 7.7mn 4G/5G subscribers vs. ~10.1mn for Jio (ex-JioFibre).

**Exhibit 1: QoQ performance for Q4FY24 – A comparison**

QoQ performance for Q4FY24	Bharti	Jio
India wireless revenue growth QoQ	2.0%	2.3%
India wireless EBITDA margin change QoQ (bps )	1	10
ARPU growth	0.5%	0.0%
Subscriber growth (mn)	6.7	10.1
4G/5G Broadband Subscriber growth (mn)	7.8	10.1
Data volume growth (chg.)	6.2%	7.4%
Data usage per subscriber (chg.)	2.7%	5.1%
MOU (chg.)	2.8%	2.6%

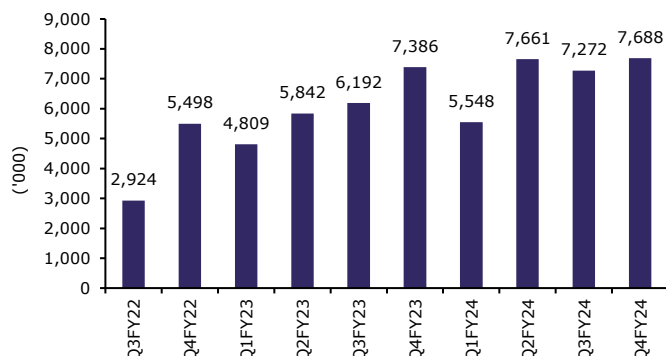
Source: Company, Emkay Research

**Exhibit 2: Postpaid addition remains elevated**



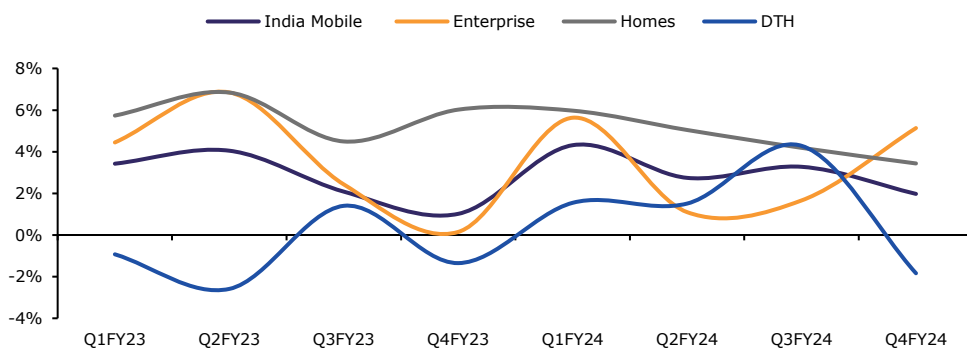
Source: Company

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



Source: Company

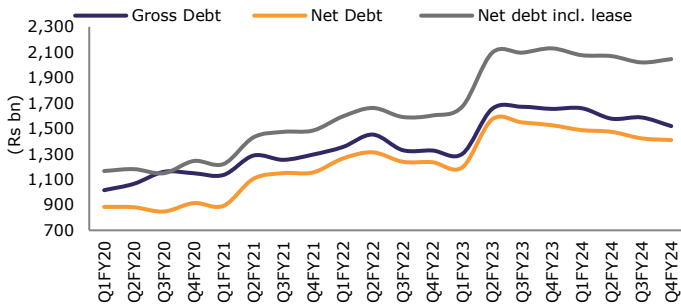
**Exhibit 4: QoQ revenue growth for Homes and India Mobile continues; Enterprise growth picks up QoQ**



Source: Company, Emkay Research

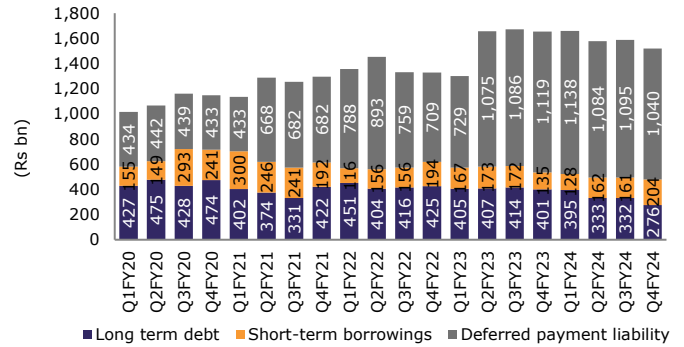
### Cash flow position to remain strong for Airtel

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



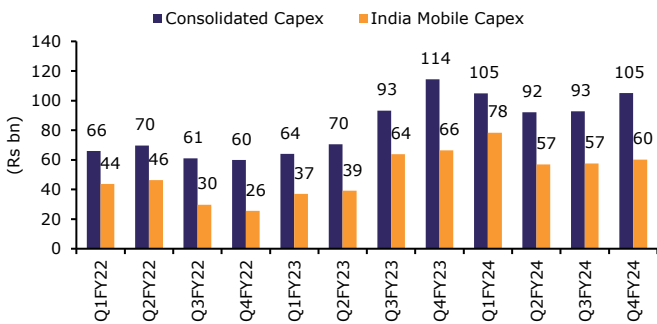
Source: Company, Emkay Research

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



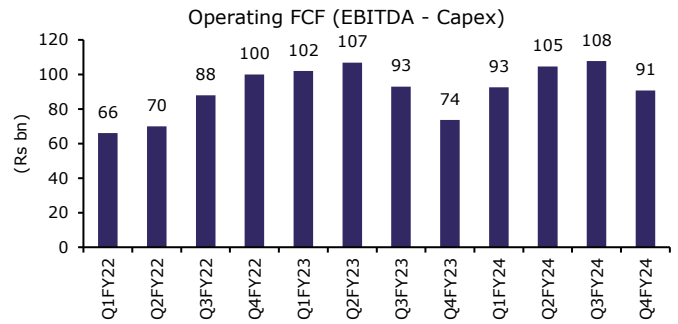
Source: Company, Emkay Research

**Exhibit 7: India mobile capex is up in Q4**



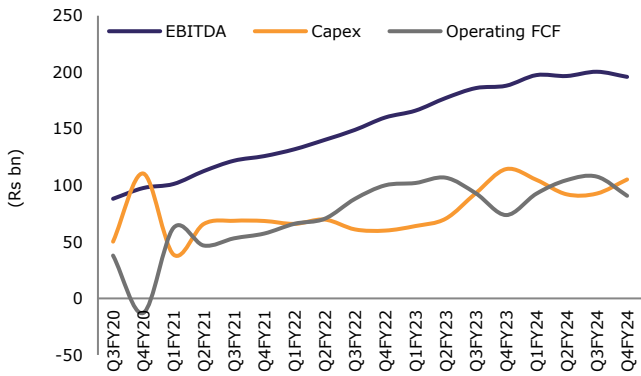
Source: Company, Emkay Research

**Exhibit 8: Operating FCF down in Q4, but remains elevated overall**



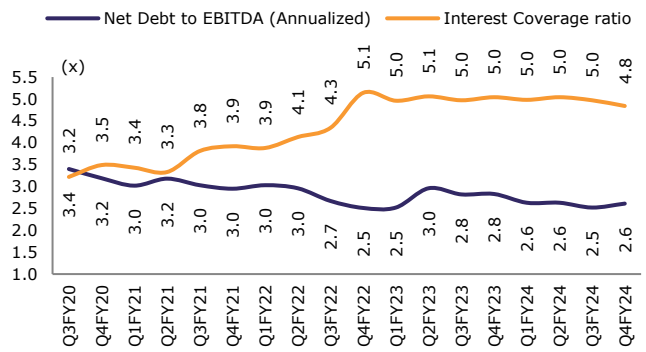
Source: Company, Emkay Research

**Exhibit 9: Operating FCF dipped in Q4 due to higher capex**



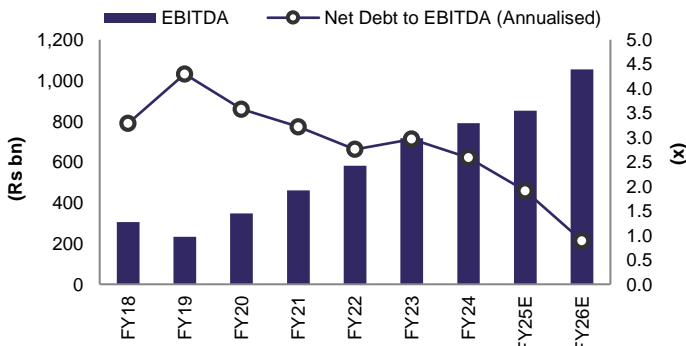
Source: Company, Emkay Research

**Exhibit 10: Net debt/EBITDA stable despite elevated capex**



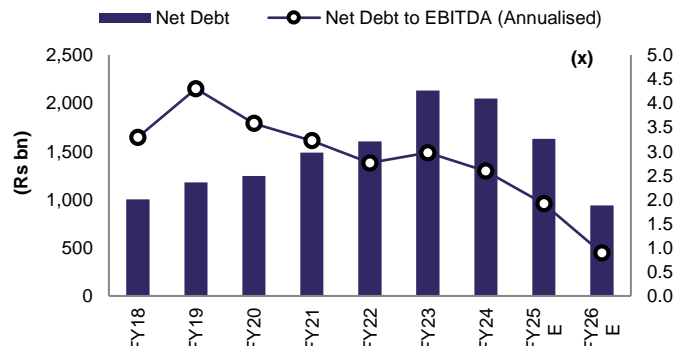
Source: Company, Emkay Research

**Exhibit 11: EBITDA to improve further with ARPU**

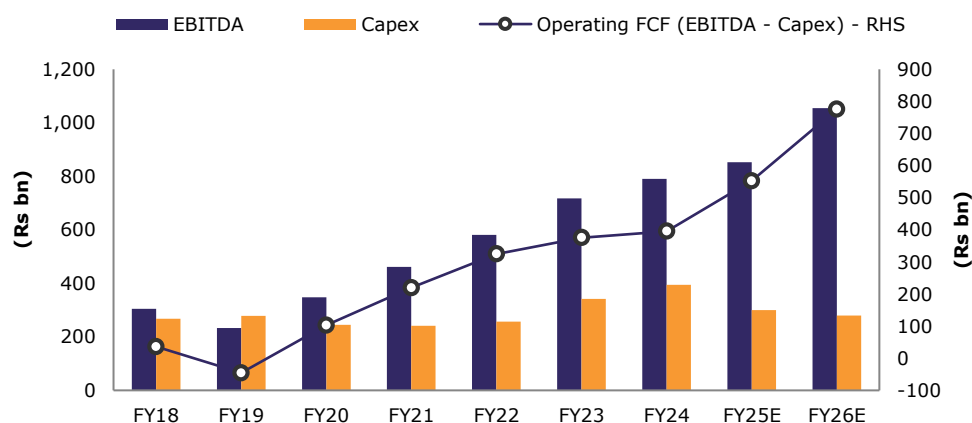


Source: Company, Emkay Research

**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

### Q4FY24 earnings call highlights

- **Tariff repair will help improve RoCE:** The pricing and tariffs in India are among the lowest in the world, giving enough room for ARPU growth. The management sees an ARPU of Rs300 (need couple of hikes to reach this level) to still be on the lower side, when compared globally. Some temporary consolidation is likely after the tariff hike. Increase in smartphone shipments in FY24 aided ARPU growth. Though ARPU has improved without the tariff hike, real improvement in return ratios will happen only if there is a tariff repair.
- **Meaningful 5G monetization to happen gradually:** Airtel has 72mn users on 5G and is growing at a rate of 2-2.5mn users per month. 70-80% of the smartphones shipped in India are 5G devices. 5G is not being currently monetized. With free access to 5G, there is a sharp increase in data consumption by the users. However, if priced for it, Company does not expect meaningful additional revenue generation as the users would prefer to reduce data usage instead, thereby posing a challenge for 5G monetization. The management does not distinguish between 4G and 5G to gauge the returns on investment. Fixed wireless access (FWA) and Private 5G for companies (already deployed for 8-9 companies) are the major means of monetizing 5G currently.
- **Wireless capex to moderate from FY25:** FY24 is the peak year of capex, as radio capex is high because of the considerable 5G rollout along with that of new 4G sites, including rural rollout. In FY25, the capital allocation is focused on transport infrastructure, data centers, enterprise, and homes. Hence, capex will cool off around radio in FY25. To strengthen its portfolio, Company is also looking for any potential acquisition opportunities.
- **Deleveraging is priority:** Dividend is not the priority for the company, as it is focusing on deleveraging. The company is looking to reduce its consolidated net debt/EBITDA ratio to ~2x from ~2.5x and India ratio to ~2.5x from ~3x.
- **Airtel business segment:** The healthy growth in the quarter has been led by domestic business (18-20% CAGR growth). However, the global business continues to witness slowdown.
- **Payments bank:** The monthly transacting users now stand at 67mn. Deposit growth has been healthy at 50% YoY (Rs28bn currently) and the annualized revenue run rate stands at ~Rs21bn.
- **ARPU decline in homes:** Lower entry-level plans in broadband (Rs499 without content and Rs699 with content) are causing ARPU moderation in this segment.
- **Other comments**

  - With abundant capacity of 3.5GHz, trials for millimeter wave is ongoing in US for FWA (unlikely to be used for mobile applications).
  - FWA (SA deployment) launched in 25 cities and will complement fiber (where fiber is not present).
  - Management has identified high cost-consuming sites and implemented cost reduction initiatives to optimize network cost.

- Airtel has formed a team that identifies and markets a specific grid facing high churns, in an effort to reduce mobility churns.

## Change in estimates

We have toned down Airtel Africa revenue estimates due to currency devaluation impact, though we have raised estimates for the India business led by strong operating performance. Our consolidated revenue for FY25E/FY26E is down by 1.2%/0.1%, respectively, as a result. Airtel's margin missed our estimate on higher license fees, employee expenses, and lower margin for Home/Enterprise. We cut our FY25E/ FY26E EBITDA by 5%/2%, respectively, as we tone down our FY25E/FY26E margins by 200bps/120bps, respectively.

Exhibit 14: Changes in estimates

(Rs mn)	FY25E			FY26E		
	Old	Revised	% Change	Old	Revised	% Change
Revenue	1,671,365	1,651,420	-1.2	1,930,194	1,928,005	-0.1
EBITDA	898,016	852,232	-5.1	1,079,118	1,055,230	-2.2
EBITDA Margin (%)	53.7	51.6	-212 bps	55.9	54.7	-118 bps
PAT	192,952	158,858	-17.7	345,087	332,016	-3.8
EPS (Rs)	32.3	26.6	-17.7	57.8	55.6	-3.8

Source: Emkay Research

Out TP increases from Rs1,325/sh to Rs1,400/sh as: i) we increase our EBITDA estimates for India business by 3% (FY26E); and ii) expect 50% of the total AGR dues of Rs440bn (~Rs220bn) to be reversed by the Supreme Court, following the curative petition on AGR dues.

Exhibit 15: SOTP-based valuation

	Mar-26E
<b>Core India business (ex-towers, ex-Africa)</b>	
Enterprise value (Rs bn)	8,501
EBITDA (Rs bn)	895
EV/EBITDA (x)	9.5
Net debt (Rs bn)	1,287
<b>Equity value (Rs bn)</b>	<b>7,214</b>
<b>Equity value (Rs/share)</b>	<b>1,209</b>
<b>Indus Towers valuation</b>	
Target market cap (Rs bn)	1,011
Airtel's shareholding (%)	48.0%
Airtel's share (Rs bn)	485
<b>Per Share value (Rs)</b>	<b>81</b>
<b>Africa business valuation</b>	
Enterprise value (Rs bn)	1,055
EBITDA (Rs bn)	176
EV/EBITDA (x)	6.0
Net debt - (Rs bn)	277
Equity value (Rs bn)	777
Airtel's stake	55%
<b>Per share value (Rs)</b>	<b>72</b>
<b>AGR liability (Rs bn)</b>	
Relief expected (%)	50%
Reduction in AGR liability	220
<b>Per share value (Rs)</b>	<b>37</b>
<b>Target Price (Rs/share)</b>	<b>1,400</b>

Source: Company, Emkay Research

## Bharti Airtel: Q4FY24 result highlights

- Airtel reported a strong operating performance for India business in Q4FY24, though it reported a miss in margin vs. our estimate on higher license fees, employee expenses, and lower margin for Home/Enterprise.
- **Reported consolidated revenue at Rs376bn was down 0.8% QoQ** (1.6% miss on our estimate and 2.6% below consensus). Consolidated EBITDA stood at Rs194bn, down 2.3% QoQ and 3% below our estimate. Consolidated margin came in at 51.5% (-78bps QoQ), a miss of 90bps.
- **License fees and employee expenses increased 3% QoQ each**, leading to a margin decline for Airtel. Network opex was flat QoQ.
- **Reported PAT came in at Rs21bn in Q4 vs. Rs24bn in Q2.**

### India Wireless: Marginal beat on revenue; strong 4G addition

- **India wireless revenue increased 2% QoQ** to Rs220.6bn (vs. our estimate of Rs219.6bn). India wireless EBITDA margin was flat QoQ at 55.1%.
- **Airtel's ARPU increased 0.5% QoQ to Rs209** (vs. our estimate of Rs211). In comparison, Jio's ARPU was flat QoQ (including JioFibre). ARPU miss was possibly due to telcos offering 5G data free of cost to users.
- **Airtel has reported an overall subscriber addition of 6.7mn in Q4** (vs. 3.3mn in Q3; Emkay: 3mn). Jio (ex-JioFibre) had a net subscriber addition of ~10mn.
- **Data and 4G/5G subscriber additions were impressive at 7.7mn/7.8mn**, respectively, (7.3/7.4mn, respectively in Q3) vs. our estimate of 6.5mn/6.4mn, respectively. Data traffic was up 6.2% QoQ (vs. 7.4% QoQ growth for RJio). Data usage per customer per month was up 2.9% QoQ to 22.6GB/month. **Airtel's postpaid net addition continued with 0.75mn** in Q4 vs. 0.7mn/1mn/0.8mn in Q3/Q2/Q1, respectively.

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

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	195,493	203,924	209,521	216,386	220,657	12.9	2.0
EBITDA	105,227	111,665	115,039	119,240	121,607	15.6	2.0
EBITDA /Total revenue	53.8%	54.8%	54.9%	55.1%	55.1%	239 bps	1 bps
EBIT	40,813	45,190	46,777	47,945	48,287	18.3	0.7
Capex	66,471	78,290	56,856	57,479	60,102	(9.6)	4.6
Operating Free Cash Flow	38,756	33,375	58,183	61,761	61,505	58.7	(0.4)

Source: Company, Emkay Research

### Exhibit 17: KPIs improve QoQ

India Wireless – KPIs	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
ARPU (Rs)	193	200	203	208	209	8.1	0.5
MOU (mins)	1,122	1,138	1,123	1,127	1,158	3.2	2.8
Traffic (bn mins)	1,124	1,149	1,148	1,161	1,210	7.6	4.2
Subscribers (mn)	335	339	342	346	352	5.0	1.9
Pre-Paid Churn	2.8%	2.8%	2.9%	2.9%	2.4%	-40 bps	-50 bps
<b>Data metrics</b>							
Data Subscribers (mn)	233	238	246	253	261	12.1	3.0
Of which the no. of 3G/4G customers (mn)	224	230	237	245	253	12.8	3.2
As a % of the customer base	69.4%	70.4%	71.8%	73.3%	74.1%	675 bps	79 bps
Total MBs on the network (bn)	14,248	15,273	16,127	16,770	17,808	25.0	6.2
Data usage/user (GB)	20.8	21.6	22.2	22.5	23.1	11.5	2.7

Source: Company

- **Capex for the quarter came in at Rs105.1bn** (vs. Rs92.7bn in Q3), leading to operating FCF (EBITDA-capex) reducing to Rs90.7bn. **India wireless capex increased QoQ to Rs61.5bn vs. Rs57.5bn/Rs56.9bn in Q3/Q2 amid the continued network expansion.** Net debt (incl. lease) was up to Rs2.05trn (vs. Rs2.02trn at the end of Q3).
  - **Network site** addition continued in Q4 with 10.5k network sites added (vs. 12.3k /11.1k/9.1k network sites added in Q3/Q2/Q1).
  - **Mobile Broadband Base station** addition in Q4 was 26.3k vs. 29.5k in Q3.
  - **Optic fiber addition** was up at 14,296 R kms vs. 14,509 R kms in Q3.
- **Net debt (incl. lease) was up to Rs2.05trn** (Rs2.02trn at Q3-end), led by increase in lease obligation. Core net debt (excl. lease) stood at Rs1.41trn vs. Rs1.42trn at Q3-end.

#### Exhibit 18: India capex steady amid continued 5G rollout

Capex	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Total Capex (Rs mn)	114,360	104,858	92,061	92,740	105,163	(8.0)	13.4
<b>India Mobile Capex (Rs mn)</b>	<b>66,471</b>	<b>78,290</b>	<b>56,856</b>	<b>57,479</b>	<b>60,102</b>	<b>(9.6)</b>	<b>4.6</b>
Network Sites (no. of)	275,069	284,221	295,318	307,663	318,171	15.7	3.4
QoQ Network Sites added (no. of)	12,450	9,152	11,097	12,345	10,508	(15.6)	(14.9)
Mobile Broadband Base stations (no. of)	832,369	852,650	876,096	905,556	931,854	12.0	2.9
Mobile Broadband Base stations added (no. of)	26,172	20,281	23,446	29,460	26,298	0.5	(10.7)
Optic Fiber Network (R km)	388,726	403,708	415,903	430,412	444,708	14.4	3.3
Optic Fiber Network added (R km)	11,748	14,982	12,195	14,509	14,296	21.7	(1.5)

Source: Company

#### Segmental performance

- **Airtel Business (Enterprise) – Healthy revenue growth:** Enterprise revenue was up 5.1% QoQ (1.7% QoQ in Q3), though margin was down by 156bps QoQ.
- **Home Broadband – Customer net additions moderated QoQ:** Home Broadband revenue continued to record healthy performance, with 3.4% sequential growth, while margin compressed by 28bps QoQ. The addition rate moderated to 331K QoQ vs. 359K customer net additions in Q3. ARPU was down 1% QoQ to Rs577.
- **DTH – Revenue declines, while margin expands:** DTH reported a 1.8% decline in sequential revenue, though margin expanded by a healthy 240bps QoQ. The segment witnessed customer net additions of 9K vs. 388K in Q3 (highest in the last 12 quarters). Monthly churn increased again to 2.3% vs. 1.8% in Q3.

#### Exhibit 19: Growth momentum in Homes services continued

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	10,966	11,621	12,207	12,718	13,155	20.0	3.4
EBITDA	5,526	5,860	6,073	6,384	6,566	18.8	2.9
EBITDA/Total revenue	50%	50%	50%	50%	50%	-96 bps	-28 bps
Subscribers (mn)	6.0	6.5	6.9	7.3	7.6	26.0	4.5
Net Additions ('000s)	404	413	471	359	331	(18.1)	(7.8)
Average Revenue Per User (ARPU; Rs/month)	614	608	595	583	577	(6.1)	(1.0)

Source: Company

#### Exhibit 20: Improvement in DTH margins, albeit with growth moderation

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	7,290	7,403	7,515	7,837	7,693	5.5	(1.8)
EBITDA	4,081	4,264	4,212	4,285	4,391	7.6	2.5
EBITDA / Total revenue	56%	58%	56%	55%	57%	110 bps	240 bps
Digital TV subs (mn)	15.9	15.9	15.7	16.1	16.1	1.3	0.1
Net additions ('000s)	(39)	(28)	(169)	388	9	NM	NM
ARPU (Rs)	153	154	159	163	160	4.9	(1.8)
Monthly Churn	2.3%	2.2%	2.7%	1.8%	2.3%	(1.0)	27.8

Source: Company

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**Exhibit 21: Improved growth in the enterprise segment**

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	47,850	50,545	51,100	51,948	54,616	14.1	5.1
EBITDA	19,680	19,979	20,578	20,625	20,830	5.8	1.0
EBITDA/Total revenue	41%	40%	40%	40%	38%	-727 bps	-156 bps

Source: Company

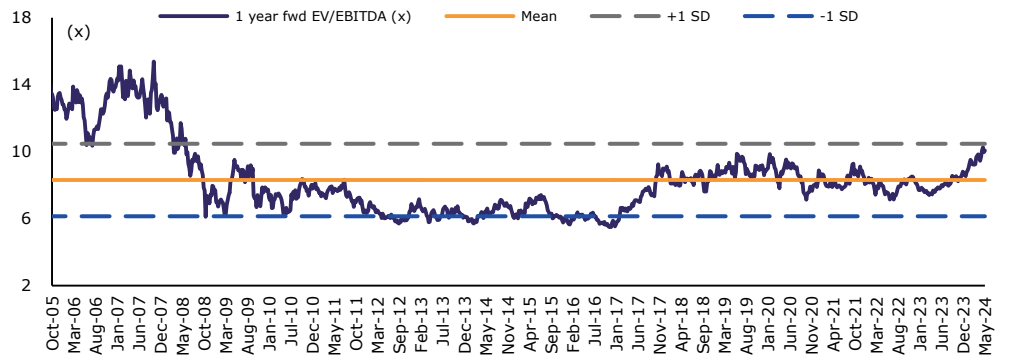
**Exhibit 22: Airtel's financial performance**

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Mobile	306,614	318,026	313,222	320,303	314,551	2.6	(1.8)
India	195,493	203,924	209,521	216,386	220,657	12.9	2.0
Africa	110,315	113,168	102,768	102,972	92,933	(15.8)	(9.7)
South Asia	806	934	933	945	961	19.2	1.7
Home Services	10,966	11,621	12,207	12,718	13,155	20.0	3.4
Airtel Business	47,850	50,549	51,100	51,948	54,616	14.1	5.1
Others (DTH + Others)	7,590	7,703	7,816	8,333	8,471	11.6	1.7
<b>Total gross Sales</b>	<b>373,020</b>	<b>387,899</b>	<b>384,345</b>	<b>393,302</b>	<b>390,793</b>	<b>4.8</b>	<b>(0.6)</b>
Inter-segmental eliminations	12,930	13,495	13,907	14,307	14,802	14.5	3.5
<b>Net Sales</b>	<b>360,090</b>	<b>374,404</b>	<b>370,438</b>	<b>378,995</b>	<b>375,991</b>	<b>4.4</b>	<b>(0.8)</b>
Access charge	18,847	19,972	18,144	18,568	18,501	(1.8)	(0.4)
As a % of sales	5.2	5.3	4.9	4.9	4.9		
Network Operating	74,018	74,036	74,240	75,926	75,986	2.7	0.1
As a % of sales	20.6	19.8	20.0	20.0	20.2		
Employee Expenses	12,634	12,572	13,790	13,230	13,639	8.0	3.1
As a % of sales	3.5	3.4	3.7	3.5	3.6		
Marketing Expenses	39,341	42,432	39,484	42,918	43,110	9.6	0.4
As a % of sales	10.9	11.3	10.7	11.3	11.5		
License Fee	28,279	29,403	29,643	30,205	31,107	10.0	3.0
As a % of sales	7.9	7.9	8.0	8.0	8.3		
<b>Total operating expenditure</b>	<b>173,119</b>	<b>178,415</b>	<b>175,301</b>	<b>180,847</b>	<b>182,343</b>	<b>5.3</b>	<b>0.8</b>
<b>EBITDA</b>	<b>186,971</b>	<b>195,989</b>	<b>195,137</b>	<b>198,148</b>	<b>193,648</b>	<b>3.6</b>	<b>(2.3)</b>
Depreciation	94,059	96,538	97,343	100,743	100,752	7.1	0.0
<b>EBIT</b>	<b>92,912</b>	<b>99,451</b>	<b>97,794</b>	<b>97,405</b>	<b>92,896</b>	<b>(0.0)</b>	<b>(4.6)</b>
Other Income	2,849	3,483	3,304	4,398	3,169	11.2	(27.9)
Interest	51,631	56,137	51,858	66,449	52,033	0.8	(21.7)
Non-operating expenses	0	34,163	15,703	1,302	24,555		
<b>PBT</b>	<b>44,130</b>	<b>12,634</b>	<b>33,537</b>	<b>34,052</b>	<b>19,477</b>	<b>(55.9)</b>	<b>(42.8)</b>
Tax	7,880	3,327	18,465	12,320	7,098	(9.9)	(42.4)
<b>PAT before MI</b>	<b>36,250</b>	<b>9,307</b>	<b>15,072</b>	<b>21,732</b>	<b>12,379</b>	<b>(65.9)</b>	<b>(43.0)</b>
Minority interest	12,204	-923	7,525	4,342	-34	(100.3)	(100.8)
<b>PAT after MI</b>	<b>24,046</b>	<b>10,230</b>	<b>7,547</b>	<b>17,390</b>	<b>12,413</b>	<b>(48.4)</b>	<b>(28.6)</b>
Share of associates	6,010	5,899	5,860	7,032	8,303	38.2	18.1
<b>PAT</b>	<b>30,056</b>	<b>16,125</b>	<b>13,403</b>	<b>24,418</b>	<b>20,716</b>	<b>(31.1)</b>	<b>(15.2)</b>
<b>(%)</b>						<b>(bps)</b>	<b>(bps)</b>
EBITDAM	51.9	52.3	52.7	52.3	51.5	(42)	(78)
EBITM	25.8	26.6	26.4	25.7	24.7	(110)	(99)
EBTM	12.3	3.4	9.1	9.0	5.2	(708)	(380)
PATM	8.3	4.3	3.6	6.4	5.5	(284)	(93)
Effective Tax Rate	17.9	26.3	55.1	36.2	36.4	1,859	26

Source: Company



**Exhibit 23: One-year forward EV/EBITDA**



Source: Bloomberg

## Bharti Airtel: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>1,165,469</b>	<b>1,391,448</b>	<b>1,499,828</b>	<b>1,651,420</b>	<b>1,928,005</b>
Revenue growth (%)	15.8	19.4	7.8	10.1	16.7
<b>EBITDA</b>	<b>575,339</b>	<b>712,735</b>	<b>782,922</b>	<b>852,232</b>	<b>1,055,230</b>
EBITDA growth (%)	26.8	23.9	9.8	8.9	23.8
Depreciation & Amortization	330,907	364,318	395,698	408,892	423,880
<b>EBIT</b>	<b>244,432</b>	<b>348,417</b>	<b>387,224</b>	<b>443,340</b>	<b>631,351</b>
EBIT growth (%)	53.1	42.5	11.1	14.5	42.4
Other operating income	5,343	9,366	15,000	15,000	15,000
Other income	5,343	9,366	15,000	15,000	15,000
Financial expense	166,162	192,999	252,170	206,692	180,337
<b>PBT</b>	<b>83,613</b>	<b>164,784</b>	<b>150,055</b>	<b>251,648</b>	<b>466,013</b>
Extraordinary items	16,986	(6,698)	(75,723)	0	0
Taxes	41,779	42,733	41,210	70,357	117,654
Minority interest	(40,503)	(39,415)	(10,910)	(48,000)	(48,000)
Income from JV/Associates	24,232	7,521	27,094	25,567	31,657
<b>Reported PAT</b>	<b>42,549</b>	<b>83,459</b>	<b>49,306</b>	<b>158,858</b>	<b>332,016</b>
PAT growth (%)	0.0	96.1	(40.9)	222.2	109.0
<b>Adjusted PAT</b>	<b>25,563</b>	<b>90,157</b>	<b>125,029</b>	<b>158,858</b>	<b>332,016</b>
<b>Diluted EPS (Rs)</b>	<b>7.1</b>	<b>14.0</b>	<b>8.3</b>	<b>26.6</b>	<b>55.6</b>
Diluted EPS growth (%)	0.0	96.1	(40.9)	222.2	109.0
<b>DPS (Rs)</b>	<b>0.0</b>	<b>3.8</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>27.2</b>	<b>35.7</b>	<b>11.1</b>	<b>5.3</b>
EBITDA margin (%)	49.4	51.2	52.2	51.6	54.7
EBIT margin (%)	21.0	25.0	25.8	26.8	32.7
Effective tax rate (%)	50.0	25.9	27.5	28.8	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>122,296</b>	<b>258,063</b>	<b>280,880</b>	<b>319,388</b>	<b>471,954</b>
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	FY24	FY25E	FY26E
PBT	83,613	164,784	150,055	251,648	466,013
Others (non-cash items)	0	0	0	0	0
Taxes paid	(41,779)	(42,733)	(41,210)	(70,357)	(117,654)
Change in NWC	89,457	36,384	73,647	(32,593)	219,438
<b>Operating cash flow</b>	<b>417,430</b>	<b>518,388</b>	<b>518,386</b>	<b>545,157</b>	<b>985,334</b>
Capital expenditure	(539,225)	(340,968)	(381,800)	(301,040)	(281,040)
Acquisition of business	(49,922)	0	0	0	0
Interest & dividend income	4,052	4,052	4,052	4,052	4,052
<b>Investing cash flow</b>	<b>(551,869)</b>	<b>(331,602)</b>	<b>(366,800)</b>	<b>(286,040)</b>	<b>(266,040)</b>
Equity raised/(repaid)	490	416	400	1,102	0
Debt raised/(repaid)	68,927	216,152	(104,280)	(250,000)	(400,000)
Payment of lease liabilities	396	369	373	376	(38,025)
Interest paid	(166,162)	(192,999)	(252,170)	(206,692)	(180,337)
Dividend paid (incl tax)	0	(26,551)	(20,618)	(20,618)	(20,618)
Others	359,056	123,809	415,955	270,713	270,713
<b>Financing cash flow</b>	<b>262,311</b>	<b>120,827</b>	<b>39,287</b>	<b>(205,495)</b>	<b>(330,242)</b>
Net chg in Cash	127,872	307,613	190,873	53,622	389,052
OCF	417,430	518,388	518,386	545,157	985,334
Adj. OCF (w/o NWC chg.)	506,887	554,772	592,033	512,563	1,204,773
FCFF	(121,795)	177,420	136,586	244,117	704,294
FCFE	(283,905)	(11,527)	(111,532)	41,477	528,009
OCF/EBITDA (%)	72.6	72.7	66.2	64.0	93.4
FCFE/PAT (%)	(667.2)	(13.8)	(226.2)	26.1	159.0
<b>FCFF/NOPLAT (%)</b>	<b>(99.6)</b>	<b>68.8</b>	<b>48.6</b>	<b>76.4</b>	<b>149.2</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	27,950	28,366	28,766	29,868	29,868
Reserves & Surplus	923,293	1,091,165	1,145,011	1,384,308	1,665,524
<b>Net worth</b>	<b>951,243</b>	<b>1,119,531</b>	<b>1,173,777</b>	<b>1,414,176</b>	<b>1,695,392</b>
Minority interests	253,807	288,814	235,451	283,451	331,451
Deferred tax liability (net)	24,488	20,762	25,118	25,118	25,118
<b>Total debt</b>	<b>1,696,779</b>	<b>2,260,203</b>	<b>2,155,923</b>	<b>1,905,923</b>	<b>1,505,923</b>
<b>Total liabilities &amp; equity</b>	<b>2,926,317</b>	<b>3,689,310</b>	<b>3,590,269</b>	<b>3,628,668</b>	<b>3,557,884</b>
Net tangible fixed assets	905,725	952,241	1,018,625	967,677	885,977
Net intangible assets	874,509	937,490	856,094	774,527	692,790
Net ROU assets	322,286	546,466	547,581	572,243	592,841
Capital WIP	59,547	494,254	494,254	494,254	494,254
Goodwill	338,313	338,313	338,313	338,313	338,313
Investments [JV/Associates]	284,268	284,268	284,268	284,268	284,268
<b>Cash &amp; equivalents</b>	<b>144,166</b>	<b>178,885</b>	<b>163,033</b>	<b>276,691</b>	<b>568,185</b>
Current assets (ex-cash)	707,746	734,415	743,143	703,767	777,421
Current Liab. & Prov.	710,243	777,022	855,041	783,071	1,076,164
<b>NWC (ex-cash)</b>	<b>(2,497)</b>	<b>(42,607)</b>	<b>(111,898)</b>	<b>(79,305)</b>	<b>(298,743)</b>
<b>Total assets</b>	<b>2,926,317</b>	<b>3,689,310</b>	<b>3,590,269</b>	<b>3,628,668</b>	<b>3,557,884</b>
Net debt	1,552,613	2,081,318	1,992,890	1,629,232	937,738
Capital employed	2,926,317	3,689,310	3,590,269	3,628,668	3,557,884
<b>Invested capital</b>	<b>2,438,336</b>	<b>2,731,903</b>	<b>2,648,714</b>	<b>2,573,455</b>	<b>2,211,177</b>
BVPS (Rs)	159.4	187.6	196.7	237.0	284.1
Net Debt/Equity (x)	1.6	1.9	1.7	1.2	0.6
Net Debt/EBITDA (x)	2.7	2.9	2.5	1.9	0.9
Interest coverage (x)	0.7	0.5	0.6	0.5	0.3
<b>RoCE (%)</b>	<b>8.8</b>	<b>10.8</b>	<b>11.1</b>	<b>12.7</b>	<b>18.0</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	305.8	86.7	62.5	49.2	23.5
P/CE(x)	21.9	17.2	15.0	13.8	10.3
P/B (x)	8.2	7.0	6.7	5.5	4.6
EV/Sales (x)	8.0	7.1	6.5	5.7	4.5
EV/EBITDA (x)	16.3	13.9	12.5	11.1	8.3
EV/EBIT(x)	38.3	28.4	25.3	21.3	13.9
EV/IC (x)	3.8	3.6	3.7	3.7	4.0
FCFF yield (%)	(1.3)	1.8	1.4	2.6	8.0
FCFE yield (%)	(3.6)	(0.1)	(1.4)	0.5	6.8
Dividend yield (%)	0.0	0.3	0.2	0.2	0.2
<b>DuPont-RoE split</b>					
Net profit margin (%)	2.2	6.5	8.3	9.6	17.2
Total asset turnover (x)	0.4	0.4	0.4	0.5	0.5
Assets/Equity (x)	3.1	3.2	3.2	2.8	2.3
<b>RoE (%)</b>	<b>2.7</b>	<b>8.7</b>	<b>10.9</b>	<b>12.3</b>	<b>21.4</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	10.5	18.5	18.7	19.3	24.5
IC turnover (x)	0.5	0.5	0.6	0.6	0.8
<b>RoIC (%)</b>	<b>5.1</b>	<b>10.0</b>	<b>10.4</b>	<b>12.2</b>	<b>19.7</b>
<b>Operating metrics</b>					
Core NWC days	(0.8)	(11.2)	(27.2)	(17.5)	(56.6)
<b>Total NWC days</b>	<b>(0.8)</b>	<b>(11.2)</b>	<b>(27.2)</b>	<b>(17.5)</b>	<b>(56.6)</b>
Fixed asset turnover	0.3	0.3	0.3	0.3	0.4
Opex-to-revenue (%)	50.6	48.8	47.8	48.4	45.3

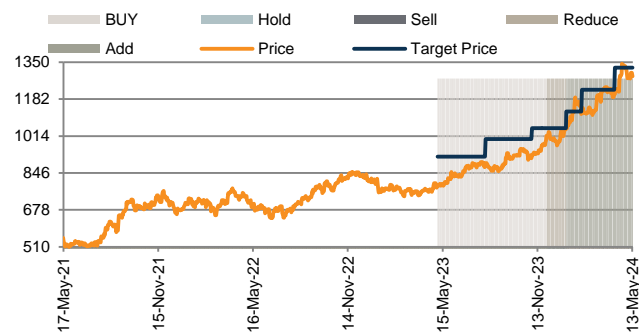
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Apr-24	1,204	1,325	Add	Santosh Sinha
01-Apr-24	1,217	1,225	Add	Santosh Sinha
21-Feb-24	1,140	1,225	Add	Santosh Sinha
06-Feb-24	1,134	1,225	Add	Santosh Sinha
07-Jan-24	1,047	1,125	Add	Santosh Sinha
30-Nov-23	1,015	1,050	Reduce	Santosh Sinha
02-Nov-23	924	1,050	Buy	Santosh Sinha
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

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