

February 6, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,225		1,088	
Sales (Rs. m)	17,37,844	20,19,743	18,79,085	21,51,861
% Chng.	(7.5)	(6.1)		
EBITDA (Rs. m)	9,21,057	10,70,464	10,03,180	11,62,005
% Chng.	(8.2)	(7.9)		
EPS (Rs.)	27.6	36.6	38.6	48.4
% Chng.	(28.5)	(24.3)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,391	1,522	1,738	2,020
EBITDA (Rs. bn)	713	798	921	1,070
Margin (%)	51.2	52.5	53.0	53.0
PAT (Rs. bn)	76	59	160	214
EPS (Rs.)	14.8	10.3	27.6	36.6
Gr. (%)	88.3	(30.1)	167.0	32.7
DPS (Rs.)	4.0	5.0	9.0	12.0
Yield (%)	0.4	0.4	0.8	1.1
RoE (%)	11.6	6.6	15.0	17.4
RoCE (%)	12.9	11.1	12.9	14.6
EV/Sales (x)	6.1	5.5	4.8	4.2
EV/EBITDA (x)	11.9	10.6	9.0	7.9
PE (x)	76.7	109.7	41.1	31.0
P/BV (x)	8.3	6.4	5.9	5.0

Key Data

BRTI.BO | BHARTI IN

52-W High / Low	Rs.1,201 / Rs.736
Sensex / Nifty	72,186 / 21,929
Market Cap	Rs.6,670bn/ \$ 80,308m
Shares Outstanding	5,625m
3M Avg. Daily Value	Rs.5849.27m

Shareholding Pattern (%)

Promoter's	54.57
Foreign	22.68
Domestic Institution	19.65
Public & Others	3.10
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.4	27.5	43.7
Relative	8.1	16.1	20.4

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Steady operating performance

Quick Pointers:

- ARPU at Rs 208; net subscriber addition was at 3.3mn.
- Capex incurred in Q3 stands at Rs92.7bn.

Bharti Airtel reported EBITDA/PAT of Rs198.1bn (+1.5%QoQ; PLe Rs198.9bn) and Rs24.4bn (+82%QoQ; PLe Rs15.4bn). India mobile revenues were up 3.3%QoQ and EBITDA margin was stable at 55.1%. ARPU grew 2.5% QoQ to Rs208 (PLe Rs205) with 7.4mn growth in 4G subscribers (overall net addition was 3.3mn). Africa mobile Revenue/EBITDA remained flat QoQ, while Enterprise revenue grew 1.7% QoQ, while there was a muted growth in EBITDA with a 57bps fall in margins. Home services (fixed line + broadband) had an ARPU decline of 2% while DTH ARPU grew 2.5%. We maintain our positive stance on the sector, due to falling competitive intensity, given weak financial position of peers. Maintain 'Accumulate' rating at SOTP based TP of Rs1225 based on 11x FY26 EV/EBITDA for India mobile multiple, 6x FY26 EV/EBITDA for Airtel Africa, enterprise segment at 9x FY26 EV/EBITDA, 3x FY26 EV/EBITDA for DTH and 6x EV/EBITDA for home services.

4G subscriber addition of 7.4m sustains India mobile business: India mobile Q3 Revenue/ EBITDA were Rs216.3bn (+3.3%QoQ) and Rs119.2bn (+3.7%QoQ). Q3 4G net customer addition continue to remain impressive at 7.4mn (20.8mn in 9MFY24). ARPU came in strong at Rs208 (+2.5% QoQ, 7.5%YoY). We expect moderate growth in ARPU in near term. We estimate FY24/25/26E net subscriber adds at 13/14/14 mn each along with ARPU of Rs215/225/236.

Poor Africa performance: Q3 Africa revenues and EBITDA were at \$1.2bn (flat %QoQ) and USD608mn (-2%QoQ). While total subscribers grew by 3.5mn, ARPU grew by 2.7%QoQ to \$2.6 maintaining EBITDA margins at 49.1%.

Steady improvement in enterprise and home services EBITDA: In Q3, the enterprise segment grew marginally by 1.7% QoQ to Rs 51.9bn while EBITDA remained flat due to 57bps decline in margins to 39.7% at Rs20.6bn. Home services revenue grew steadily by 4.2% QoQ to Rs12.7bn and EBITDA was at Rs6.3bn (+5.1% QoQ) and margins came in at 50.2%. Although ARPU decreased by 2% QoQ to Rs583 (Q2: Rs 595), subscriber base was up 5.2% QoQ to 7.3mn. DTH EBITDA was up 1.7% QoQ to Rs 4.3bn, while ARPU grew 2.5% to Rs163. Subscriber base was also up 2.5% and totaled to 16.1mn.

Concall highlights: 1) Q3 performance was impacted by currency devaluation in Africa. **2)** In Q3, net additions in postpaid stood at 0.9mn. **3)** Capex incurred in India in Q3 stands at Rs77.5bn across 5G roll outs, rural expansion and data centres. **4)** Growth in ARPU was on account of conversion of prepaid to postpaid and premiumisation of customers. **5)** 47% of net additions were for Airtel Black. **6)** Capex is expected to be elevated in FY24 and will be moderated in FY25

Exhibit 1: Bharti Quarterly and 9MFY24 Financials (Rs mn)

Y/e March	3QFY24	3QFY23	YoY gr.	2QFY24	QoQ gr.	9MFY24	9MFY23	YoY gr.
Revenue	378,995	358,044	5.9%	370,438	2.3%	1,123,833	1,031,358	9.0%
Operating Expenses								
Cost of services (Excl D&A)	137,929	133,410	3.4%	135,817	1.6%	409,729	393,687	4.1%
Access charges	18,568	19,352	-4.1%	18,144	2.3%	56,684	57,360	-1.2%
License fees, revenue share & spectrum charges	30,205	28,421	6.3%	29,643	1.9%	89,251	89,238	0.0%
Network operations costs	75,926	73,284	3.6%	74,240	2.3%	224,202	211,415	6.0%
Employee costs	13,230	12,353	7.1%	13,790	-4.1%	39,592	35,674	11.0%
SG&A (excl amortization of intangibles-take it from schedule of operating expenses)	20,473	19,118	7.1%	19,590	4.5%	60,659	52,610	15.3%
Other Expenses	22,445	20,984	7.0%	19,894	12.8%	64,175	59,297	8.2%
Total Operating Expense	180,847	173,512	4.2%	175,301	3.2%	534,563	505,594	5.7%
EBITDA	198,148	184,532	7.4%	195,137	1.5%	589,270	525,764	12.1%
Depreciation and amortization	100,743	92,977	8.4%	97,343	3.5%	294,624	270,259	9.0%
Interest	66,449	46,856	41.8%	51,858	28.1%	174,444	141,368	23.4%
Other income	4,398	2,576	70.7%	3,304	33.1%	11,185	6,517	71.6%
PBT	35,354	47,275	-25.2%	49,240	-28.2%	131,387	120,654	8.9%
Tax	12,320	10,756	14.5%	12,320	0.0%	27,968	34,854	-19.8%
Share of profits in associates / joint ventures	7,032	-3,684	-290.9%	5,860	20.0%	18,791	1,511	1143.6%
PAT	28,764	26,137	10.1%	20,932	37.4%	64,897	80,613	-19.5%
PAT post minority interest	24,422	15,882	53.8%	13,407	82.2%	53,953	53,402	1.0%

Source: Company, PL

Exhibit 2: Quarterly Segment wise performance

Y/e March (Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
India operations						
Revenues	243,333	249,615	252,503	263,747	269,947	278,107
<i>QoQ growth</i>	4.3%	2.6%	1.2%	4.5%	2.4%	3.0%
EBITDA	125,955	131,371	133,908	509,976	141,423	145,609
<i>QoQ growth</i>	6.1%	4.3%	1.9%	280.8%	-72.3%	3.0%
<i>Margin (%)</i>	51.8%	52.6%	53.0%	193.4%	52.4%	52.4%
Africa operations						
Revenues (\$mn)	104,452	110,877	110,315	113,168	102,768	102,972
<i>QoQ growth</i>	7.7%	6.2%	-0.5%	2.6%	-9.2%	0.2%
EBITDA (\$ mn)	50,749	54,076	53,884	54,872	50,233	50,541
<i>QoQ growth</i>	7.6%	6.6%	-0.4%	1.8%	-8.5%	0.6%
<i>Margin (%)</i>	48.6%	48.8%	48.8%	48.5%	48.9%	49.1%
Subscribers (m)	135	139	140	143	148	151
ARPU (\$/mon)	3.1	3.1	3.1	2.5	2.5	2.6
India Wireless						
Revenue	188,823	193,527	195,493	203,924	209,521	216,386
<i>QoQ growth</i>	4.1%	2.5%	1.0%	4.3%	2.7%	3.3%
EBITDA	98,736	104,121	105,227	111,665	115,039	119,240
<i>QoQ growth</i>	6.5%	5.5%	1.1%	6.1%	3.0%	3.7%
<i>Margin (%)</i>	52.3%	53.8%	53.8%	54.8%	54.9%	55.1%
Subscribers EoP (m)	328	332	335	339	342	346
ARPU	190	193	193	200	203	208
<i>QoQ growth</i>	3.6%	1.9%	-0.1%	3.3%	1.5%	2.5%
Homes						
Revenues	9,899	10,343	10,966	11,621	12,207	12,718
<i>QoQ growth</i>	6.8%	4.5%	6.0%	6.0%	5.0%	4.2%
EBITDA	4,918	5,173	5,526	5,860	6,073	6,384
<i>QoQ growth</i>	0.8%	5.2%	6.8%	6.0%	3.6%	5.1%
<i>Margin (%)</i>	49.7%	50.0%	50.4%	50.4%	49.8%	50.2%
Enterprise Business						
Revenues	46,646	47,779	47,850	50,545	51,100	51,948
<i>QoQ growth</i>	6.8%	2.4%	0.1%	5.6%	1.1%	1.7%
EBITDA	18,146	19,050	19,680	19,979	20,578	20,625
<i>QoQ growth</i>	7.1%	5.0%	3.3%	1.5%	3.0%	0.2%
<i>Margin (%)</i>	38.9%	39.9%	41.1%	39.5%	40.3%	39.7%
DTH						
Revenues	7,288	7,390	7,290	7,403	7,515	7,837
EBITDA	4,352	4,132	4,081	4,264	4,212	4,285
<i>Margin (%)</i>	38.9%	39.9%	41.1%	39.5%	40.3%	39.7%
DTH subs (m)	15.8	16.0	15.9	15.9	15.7	16.1
DTH ARPU (Rs)	155	154	153	154	159	163
Capex						
Consolidated	70,469	93,136	114,360	104,858	92,061	92,740
India mobile	38,452	63,793	66,471	78,290	56,856	57,479
Africa	13,500	12,077	23,943	11,503	14,188	15,146
Home Services	5,996	4,966	4,280	4,995	7,569	7,817
Enterprise	9,338	7,660	15,599	6,140	9,603	8,550

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	13,91,448	15,21,591	17,37,844	20,19,743
YoY gr. (%)	19.4	9.4	14.2	16.2
Cost of Goods Sold	-	-	-	-
Gross Profit	13,91,448	15,21,591	17,37,844	20,19,743
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	48,308	53,116	52,135	56,553
Other Expenses	78,794	90,427	1,00,729	1,00,987
EBITDA	7,12,735	7,98,093	9,21,057	10,70,464
YoY gr. (%)	23.9	12.0	15.4	16.2
Margin (%)	51.2	52.5	53.0	53.0
Depreciation and Amortization	3,64,318	4,37,432	4,70,466	5,35,319
EBIT	3,48,417	3,60,661	4,50,591	5,35,145
Margin (%)	25.0	23.7	25.9	26.5
Net Interest	1,92,999	1,96,086	2,12,829	2,14,831
Other Income	9,366	10,599	11,659	12,719
Profit Before Tax	1,64,784	1,75,175	2,49,422	3,33,033
Margin (%)	11.8	11.5	14.4	16.5
Total Tax	42,733	32,882	57,812	85,138
Effective tax rate (%)	25.9	18.8	23.2	25.6
Profit after tax	1,22,051	1,42,293	1,91,610	2,47,894
Minority interest	39,415	39,415	39,415	41,386
Share Profit from Associate	7,521	7,521	7,521	7,521
Adjusted PAT	75,938	59,231	1,59,716	2,14,030
YoY gr. (%)	93.6	(22.0)	169.6	34.0
Margin (%)	6.0	3.9	9.2	10.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	75,938	59,231	1,59,716	2,14,030
YoY gr. (%)	93.6	(22.0)	169.6	34.0
Margin (%)	6.0	3.9	9.2	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	83,459	59,231	1,59,716	2,14,030
Equity Shares O/s (m)	5,673	5,730	5,787	5,845
EPS (Rs)	14.8	10.3	27.6	36.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	24,55,160	26,74,492	28,08,217	29,48,628
Tangibles	24,55,160	26,74,492	28,08,217	29,48,628
Intangibles	-	-	-	-
Acc: Dep / Amortization	15,02,919	17,01,805	17,77,534	18,66,411
Tangibles	15,02,919	17,01,805	17,77,534	18,66,411
Intangibles	-	-	-	-
Net fixed assets	9,52,241	9,72,687	10,30,682	10,82,217
Tangibles	9,52,241	9,72,687	10,30,682	10,82,217
Intangibles	-	-	-	-
Capital Work In Progress	6,56,759	8,96,039	9,60,449	11,04,570
Goodwill	12,75,231	13,62,458	14,34,188	15,10,940
Non-Current Investments	6,93,272	5,40,803	3,93,143	6,12,254
Net Deferred tax assets	(20,762)	(20,762)	(20,762)	(22,838)
Other Non-Current Assets	3,13,816	3,13,816	3,13,816	3,13,816
Current Assets				
Investments	47,045	51,750	56,924	56,924
Inventories	2,576	2,576	2,576	2,576
Trade receivables	39,815	39,815	39,815	39,815
Cash & Bank Balance	1,34,186	4,47,634	6,08,321	5,27,074
Other Current Assets	1,29,243	1,42,167	1,56,384	1,72,022
Total Assets	44,66,332	50,14,108	52,65,099	57,17,887
Equity				
Equity Share Capital	28,366	28,366	28,366	28,366
Other Equity	7,47,263	9,85,667	10,93,297	13,07,327
Total Network	7,75,629	10,14,033	11,21,663	13,35,693
Non-Current Liabilities				
Long Term borrowings	20,23,981	21,72,373	21,57,874	21,92,754
Provisions	4,744	5,218	5,740	6,314
Other non current liabilities	1,029	1,132	1,245	1,370
Current Liabilities				
ST Debt / Current of LT Debt	2,36,222	2,50,198	2,50,198	2,59,844
Trade payables	3,28,946	3,70,952	4,17,254	4,88,668
Other current liabilities	6,54,470	7,06,303	7,63,319	8,26,037
Total Equity & Liabilities	44,66,332	50,14,108	52,65,099	57,17,887

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,65,607	1,31,528	2,56,943	3,40,554
Add. Depreciation	3,64,318	4,37,432	4,70,466	5,35,319
Add. Interest	1,92,999	1,96,086	2,12,829	2,14,831
Less Financial Other Income	9,366	10,599	11,659	12,719
Add. Other	6,698	51,168	-	-
Op. profit before WC changes	7,29,622	8,16,214	9,40,238	10,90,703
Net Changes-WC	9,45,835	3,89,735	42,597	1,35,581
Direct tax	(42,733)	(32,882)	(57,812)	(85,138)
Net cash from Op. activities	16,32,724	11,73,067	9,25,023	11,41,146
Capital expenditures	(11,29,700)	(6,29,169)	(5,13,921)	(10,23,512)
Interest / Dividend Income	-	-	-	-
Others	(4,131)	(2,747)	(3,022)	(3,324)
Net Cash from Inv. activities	(11,33,831)	(6,31,916)	(5,16,943)	(10,26,836)
Issue of share cap. / premium	38,213	1,56,654	-	70,141
Debt changes	3,26,303	1,62,368	(14,499)	(15,949)
Dividend paid	(22,693)	(28,650)	(52,085)	(70,141)
Interest paid	(1,92,999)	(1,96,086)	(2,12,829)	(2,14,831)
Others	-	-	-	-
Net cash from Fin. activities	1,48,825	94,287	(2,79,413)	(2,30,779)
Net change in cash	6,47,717	6,35,438	1,28,667	(1,16,469)
Free Cash Flow	3,98,407	7,49,142	4,30,514	5,20,340

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	3,60,090	3,74,400	3,70,438	3,78,995
YoY gr. (%)	14.3	14.1	7.3	5.9
Raw Material Expenses	-	-	-	-
Gross Profit	3,60,090	3,74,400	3,70,438	3,78,995
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	1,86,971	1,95,985	1,95,137	1,98,148
YoY gr. (%)	16.6	18.6	10.9	7.4
Margin (%)	51.9	52.3	52.7	52.3
Depreciation / Depletion	94,059	96,538	97,343	1,00,743
EBIT	92,912	99,447	97,794	97,405
Margin (%)	25.8	26.6	26.4	25.7
Net Interest	51,631	56,137	51,858	66,449
Other Income	2,849	3,483	3,304	4,398
Profit before Tax	44,130	12,630	33,537	34,052
Margin (%)	12.3	3.4	9.1	9.0
Total Tax	7,880	3,327	18,465	12,320
Effective tax rate (%)	17.9	26.3	55.1	36.2
Profit after Tax	36,250	9,303	15,072	21,732
Minority interest	12,204	(923)	7,525	4,342
Share Profit from Associates	6,010	5,899	5,860	7,032
Adjusted PAT	30,054	16,125	13,407	24,422
YoY gr. (%)	172.7	0.4	(37.5)	53.8
Margin (%)	8.3	4.3	3.6	6.4
Extra Ord. Income / (Exp)	2	-	-	-
Reported PAT	30,056	16,125	13,407	24,422
YoY gr. (%)	172.8	0.3	(37.5)	53.8
Margin (%)	8.3	4.3	3.6	6.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	30,056	16,125	13,407	24,422
Avg. Shares O/s (m)	5,673	5,673	5,673	5,673
EPS (Rs)	5.3	2.8	2.4	4.3

Source: Company Data, PL Research

Key Financial Metrics

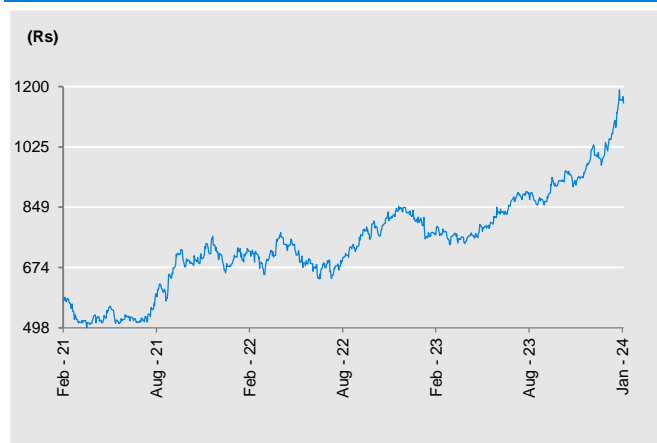
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	14.8	10.3	27.6	36.6
CEPS	79.3	86.7	108.9	128.2
BVPS	137.4	177.0	193.8	228.5
FCF	70.6	130.7	74.4	89.0
DPS	4.0	5.0	9.0	12.0
Return Ratio(%)				
RoCE	12.9	11.1	12.9	14.6
ROIC	8.1	8.0	9.8	10.4
RoE	11.6	6.6	15.0	17.4
Balance Sheet				
Net Debt : Equity (x)	2.7	1.9	1.6	1.4
Net Working Capital (Days)	(138)	(142)	(140)	(138)
Valuation(x)				
PER	76.7	109.7	41.1	31.0
P/B	8.3	6.4	5.9	5.0
P/CEPS	14.3	13.1	10.4	8.8
EV/EBITDA	11.9	10.6	9.0	7.9
EV/Sales	6.1	5.5	4.8	4.2
Dividend Yield (%)	0.4	0.4	0.8	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Subscribers (mn)	335	349	363	377
ARPU (Rs/mon)	192	215	225	236

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-24	Accumulate	1,088	1,047
2	03-Nov-23	Accumulate	993	924
3	06-Oct-23	Accumulate	936	926
4	04-Aug-23	Accumulate	935	890
5	06-Jul-23	BUY	923	870
6	17-May-23	BUY	874	792
7	06-Apr-23	BUY	977	763
8	08-Feb-23	BUY	1,008	775

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	584	629
2	Bharat Petroleum Corporation	Sell	381	504
3	Bharti Airtel	Accumulate	1,088	1,047
4	Clean Science and Technology	Hold	1,425	1,461
5	Deepak Nitrite	Reduce	1,881	2,451
6	Fine Organic Industries	Hold	4,920	4,867
7	GAIL (India)	Reduce	157	172
8	Gujarat Fluorochemicals	Reduce	3,342	3,626
9	Gujarat Gas	Hold	473	505
10	Gujarat State Petronet	Accumulate	374	334
11	Hindustan Petroleum Corporation	Sell	284	432
12	Indian Oil Corporation	Sell	100	143
13	Indraprastha Gas	Hold	382	405
14	Jubilant Ingrevia	Hold	433	439
15	Laxmi Organic Industries	Sell	221	271
16	Mahanagar Gas	Reduce	1,124	1,345
17	Mangalore Refinery & Petrochemicals	Sell	106	134
18	Navin Fluorine International	BUY	4,260	3,823
19	NOCIL	Reduce	236	274
20	Oil & Natural Gas Corporation	BUY	259	216
21	Oil India	Hold	379	380
22	Petronet LNG	Sell	212	268
23	Reliance Industries	Accumulate	2,912	2,735
24	SRF	Reduce	2,127	2,320
25	Vinati Organics	Accumulate	1,885	1,741

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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